

F I S C A L A F F A I R S D E P A R T M E N T

Republic of Moldova

TADAT Performance Assessment Report

Enriko Aav, Jimena Acedo, John Crotty, and Lucilla McLaughlin

Technical Report | November 2022



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Fiscal Affairs Department

November 2022

TADAT is a collaborative undertaking of the following partners:



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for Economic Cooperation
and Development



 Ministry of Foreign Affairs of the
Netherlands

 Norwegian Ministry
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 Schweizerische Eidgenossenschaft
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ABBREVIATIONS AND ACRONYMS

BCP	Business Continuity Plan
CIT	Corporate Income Tax
CITF	Center of IT in Finance
EU	European Union
CoA	Court of Accounts
GDALT	General Department for Administration of Large Taxpayers
HCR	Human Capital Risks
HR	Human Resource
HQ	Headquarters
IA	Internal Audit
ICT	Information and Communication Technology
IDNO	Identification Number
ID	Identification
ISAU	Internal Security and Anticorruption Unit
IT	Information Technology
KPI	Key Performance Indicator
LTO	Large Taxpayer Office
MoF	Ministry of Finance
PAYE	Pay As You Earn
POA	Performance Outcome Area
PIT	Personal Income Tax
PSA	Public Service Agency
STS	State Tax Service
STR	State Tax Register
TADAT	Tax Administration Diagnostic Assessment Tool
TAMP	Tax Administration Modernization Program
VAT	Value Added Tax
W/T	Withholding Tax



PREFACE

An assessment of the system of tax administration of the Republic of Moldova was undertaken during the period September 19 to October 4, 2022, using the Tax Administration Diagnostic Assessment Tool (TADAT). TADAT provides an assessment baseline of tax administration performance that can be used to determine reform priorities, and, with subsequent repeat assessments, highlight reform achievements.

The assessment team comprised the following: Mr. Enriko Aav, Ms. Jimena Acedo, Mr John Crotty, Ms. Lucilla McLaughlin.

The team met with Mr. Dumitru Budianschi, Minister of Finance, Ms. Rosalina Albu, Director General of State Tax Service (STS), and a number of managers and key staff of the STS. The team acknowledges the great support provided by Mses. Mihaela Doros, Head of Organizational Management Department of the STS, and Irina Lupasco, Head of Section in Organizational Management Department of the STS.

A draft performance assessment report was presented to the STS of the Republic of Moldova at the close of the in-country assessment. Written comments since received from STS on the draft report have been considered by the assessment team and, as appropriate, reflected in this final version of the report. The PAR has been reviewed and cleared by the TADAT Secretariat.

EXECUTIVE SUMMARY

These are the main strengths and weaknesses of the Moldova tax administration:

Strengths

- Good Service provision on the website
- Wide use of e-payments and increasing e-filing
- Well-developed processes for Institutional Risk Management and Business Continuity Planning
- Good dispute resolution mechanism
- Strong communication channel with tax Intermediaries
- Emerging focus on taxpayer compliance costs
- Strong tools for consistency in audit practice (Audit Quality Review, Manuals)

Weaknesses

- Outdated IT systems do not deliver the functionalities needed for modern tax administration
- Absence of automated data exchange for risk management
- Immature compliance risk management to identify and manage compliance risks, and prioritize risks and risk treatments
- Lack of risk-based approach in VAT refunds
- Poor practice in planning and monitoring of the audit program
- Inadequate taxpayers register with over-reliance on the PSA
- Limited effectiveness of tax accounting

The State Tax Service (STS) has made good progress in enhancing services to taxpayers.

A stable dispute resolution process and new tools for enhancing the quality of tax audit will lay a good foundation for an increase in public trust in Moldovan tax administration.

The recent focus on establishing processes for business continuity to reduce operational and human capital risks shows a good level of preparedness to manage external hazards.

The STS has also made commendable efforts to begin understanding the need to reduce compliance costs for taxpayers. While many good initiatives were undertaken in this field, the absence of a routine to review common mistakes and misinterpretation of the law by taxpayers has negatively impacted the assessment score for supporting voluntary compliance.

Immaturity of the compliance risk approach in parallel with deficiencies in IT remain the main weaknesses of the administration. There are yet far too many priorities in tax compliance planning while a specific compliance strategy for the large taxpayer segment is absent. Poor quality of the taxpayer register holds the STS back from better targeting taxpayers with major compliance issues. In addition, the outdated IT system does not cater for automatic exchange of data with external sources, limiting STS's capacity to build better knowledge of tax compliance risks.

Moving tax audit and other verification activities towards a genuinely risk-driven approach is proving to be a challenge for the STS. The STS has recently implemented some excellent practices in tax audit work, but a low proportion of centrally selected risk-based audits and lack of evidence on managing the effectiveness of the audit program brought the performance score for verification to ensure accurate tax reporting down. Slow VAT refunding also demonstrates STS's low capacity in applying risk-based practices.

Table 1 provides a summary of performance scores, and Figure 1 gives a graphical snapshot of the distribution of scores. The scoring is structured around the TADAT framework's nine performance outcome areas (POAs) and 32 high level indicators critical to tax administration performance. An 'ABCD' scale is used to score each indicator, with 'A' representing the highest level of performance and 'D' the lowest.

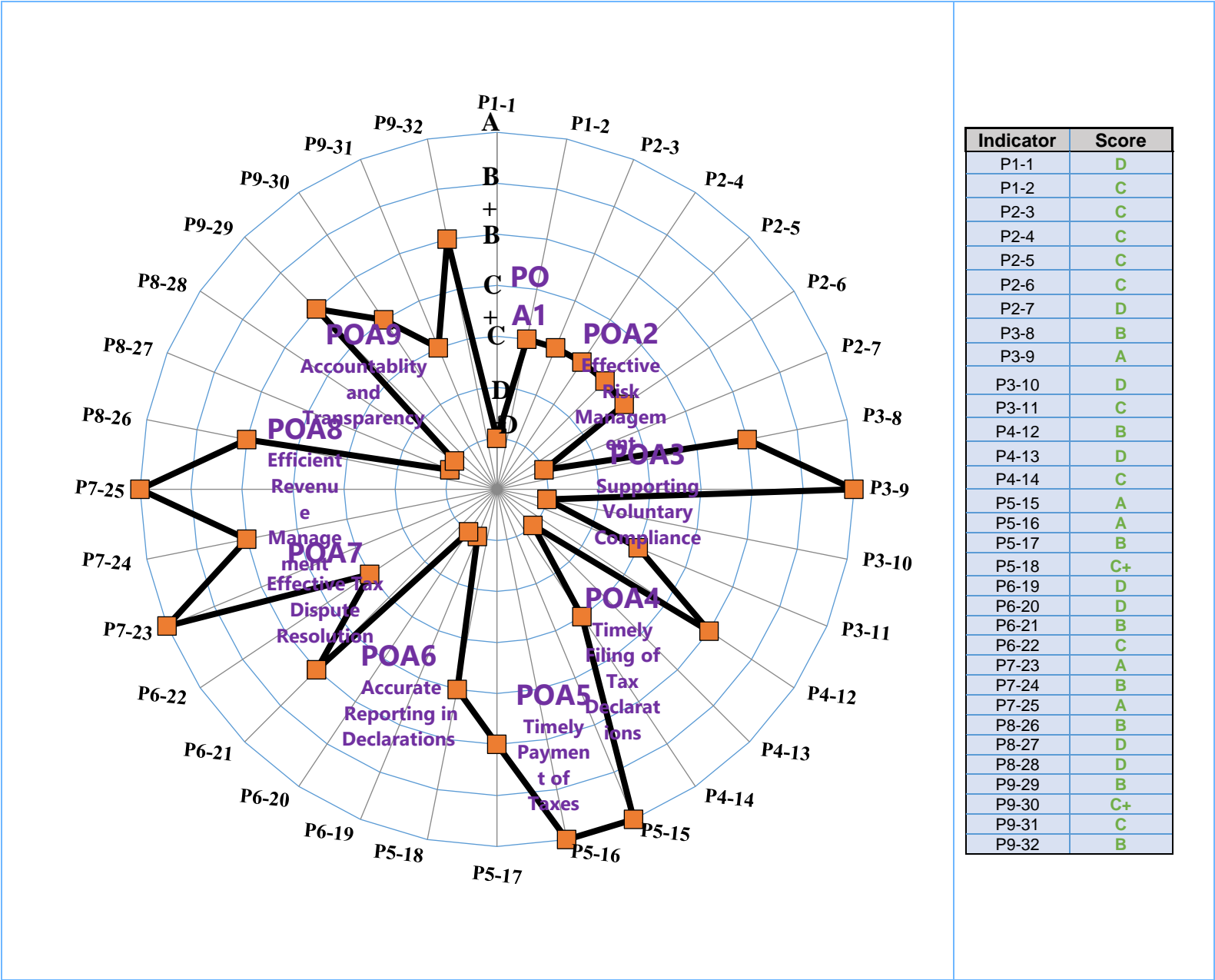
Table 1. Republic of Moldova: Summary of TADAT Performance Assessment

Indicator	Scores 2022	Summary Explanation of Assessment
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information.	D	All filing and payment obligations of taxpayers are not specified in the State Tax Register (STR). No management, internal audit, or external audit reports provide assurance of the accuracy of the VAT sub-registry.
P1-2. Knowledge of the potential taxpayer base.	C	STS inspections to identify unregistered businesses are not based upon a systematic use of third-party data.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	C	No evidence that data from a range of external sources is gathered and interpreted. No environmental scans are performed. While there is a documented structured procedure for compliance planning, it does not form part of a multi-year strategic, or operational planning process.
P2-4. Mitigation of risks through a compliance improvement plan.	C	The Compliance Program has broad mitigation strategies for all identified risks, and core tax obligations, but it is not fully resourced.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	C	A Compliance Risk Committee established in November 2017 is not very active.
P2-6. Management of operational risks.	C	A process is in place to manage operational risks but regular staff training is not fully implemented and no external body has audited the BCP's effectiveness.
P2-7. Management of human capital risks.	D	STS has in place the capacity and structures to manage human capital risks, but no review of the human resource operations and systems have been conducted by an independent third party in the last seven years.
POA 3: Supporting Voluntary Compliance		
P3-8. Scope, currency, and	B	The STS website, the main source of information for taxpayers, provides

Indicator	Scores 2022	Summary Explanation of Assessment
accessibility of information.		a wide range of data. There is tailored information for tax intermediaries, but not yet for key taxpayer segments and disadvantaged groups.
P3-9. Time taken to respond to information requests.	A	Almost 98 percent of taxpayers' calls to the STS call-center are answered within 6 minutes.
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	D	While many initiatives have been undertaken to reduce taxpayer compliance costs, STS does not routinely review common mistakes and misinterpretations of the law encountered by administration and control staff.
P3-11. Obtaining taxpayer feedback on products and services.	C	STS increasingly uses its website to get feedback from taxpayers, but independent surveys are less frequent. There are frequent consultations with tax intermediaries - taxpayer feedback is taken into account less regularly.
POA 4: Timely Filing of Tax Declarations		
P4-12. On-time filing rate.	B	On-time filing has been improved.
P4-13. Management of non-filers.	D	Automated systems to identify late or non-filers are not used, and penalties are not automatically generated for non-filers.
P4-14. Use of electronic filing facilities.	C	While electronic filing is high for VAT, CIT, and PAYE, it is only 21.2 percent for PIT.
POA 5: Timely Payment of Taxes		
P5-15. Use of electronic payment methods.	A	All core taxes administered by the STS must be and are paid electronically.
P5-16. Use of efficient collection systems.	A	Withholding at source on all employment income, advance payments on CIT and PIT obligations, and withholding tax on dividends and interest are mandatory.
P5-17. Timeliness of payments.	B	The number and value of VAT payments by large taxpayers is less than 100 percent.
P5-18. Stock and flow of tax arrears.	C+	Core tax arrears amount to more than 20 percent of total core tax collections. Collectable arrears are below 5 percent of total core tax collections. Value of core tax arrears more than 12 months old exceeds 75 percent of the value of all core tax arrears.
POA 6: Accurate Reporting in Declarations		
P6-19. Scope of verification actions taken to detect and deter inaccurate reporting.	D	Only a small proportion of audits are selected centrally on the basis of risk. There is no operational plan for audit with KPIs that can be regularly monitored. The impact of audits on taxpayer compliance is not routinely measured or evaluated.
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	D	Weaknesses in the STS IT system and lack of interoperability with the systems of other agencies present difficulties for the automated crosschecking of data.

Indicator	Scores 2022	Summary Explanation of Assessment
P6-21. Initiatives undertaken to encourage accurate reporting.	B	The STS website contains a robust database of binding public rulings. Binding private rulings are seldom used, and there are no cooperative compliance arrangements.
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	C	STS are developing skills in the estimation of the tax compliance gap but have not yet incorporated tax gap results into their compliance planning.
POA 7: Effective Tax Dispute Resolution		
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	A	There is a 3-stage review and appeal process to deal with tax disputes. The STS Appeals division is physically and organizationally separate from, and independent of, the audit. Taxpayers are made aware of their dispute rights and dispute resolution processes through many channels.
P7-24. Time taken to resolve disputes.	B	More than 90 percent of administrative reviews were completed by STS within 60 days.
P7-25. Degree to which dispute outcomes are acted upon.	A	STS routinely monitors and analyzes dispute outcomes. As a result, proposals to strengthen STS procedures and to supplement tax legislation are regularly made.
POA 8: Efficient Revenue Management		
P8-26. Contribution to government tax revenue forecasting process.	B	STS provides regular input on tax revenue collections to MoF but does not monitor the stock of tax losses or credits/refunds carried forward by taxpayers.
P8-27. Adequacy of the tax revenue accounting system.	D	Posting of payments to the taxpayer's current account often takes longer than three business days.
P8-28. Adequacy of tax refund processing.	D	There is no automated risk-based verification system to review VAT refund claims.
POA 9: Accountability and Transparency		
P9-29. Internal assurance mechanisms.	B	Audit trails of user access and changes to taxpayer data are in place, however system-generated surveillance tools to detect incidents that threaten the confidentiality and integrity of STS data are not widely used. Staff integrity assurance mechanisms are in place.
P9-30. External oversight of the tax administration.	C+	No external authority investigates complaints from taxpayers about treatment received from STS.
P9-31. Public perception of integrity.	C	A mechanism for monitoring public confidence is in place; an independent survey was conducted in 2018, but not yet repeated.
P9-32. Publication of activities, results and plans.	B	Annual reports are published within six months of the end of the fiscal year. Some plans are made public within three months after the commencement of the periods covered, but some are published with a longer delay.

Figure 1. Republic of Moldova: Distribution of Performance Scores



I. INTRODUCTION

This report documents the results of the TADAT assessment conducted in Republic of Moldova during the period September 19 to October 4, 2022, and subsequently reviewed by the TADAT Secretariat. The report is structured around the TADAT framework of nine POAs and 32 high level indicators critical to tax administration performance that is linked to the POAs. Fifty-five measurement dimensions are taken into account in arriving at each indicator score. A four-point 'ABCD' scale is used to score each dimension and indicator:

- 'A' denotes performance that meets or exceeds international good practice. In this regard, for TADAT purposes, a good practice is taken to be a tested and proven approach applied by a majority of leading tax administrations. It should be noted, however, that for a process to be considered 'good practice', it does not need to be at the forefront or vanguard of technological and other developments. Given the dynamic nature of tax administration, the good practices described throughout the field guide can be expected to evolve over time as technology advances and innovative approaches are tested and gain wide acceptance.
- 'B' represents sound performance (i.e., a healthy level of performance but a rung below international good practice).
- 'C' means weak performance relative to international good practice.
- 'D' denotes inadequate performance and is applied when the requirements for a 'C' rating or higher are not met. Furthermore, a 'D' score is given in certain situations where there is insufficient information available to assessors to determine and score the level of performance. For example, where a tax administration is unable to produce basic numerical data for purposes of assessing operational performance (e.g., in areas of filing, payment, and refund processing) a 'D' score is given. The underlying rationale is that the inability of the tax administration to provide the required data is indicative of deficiencies in its management information systems and performance monitoring practices.

For further details on the TADAT framework, see Attachment I.

1. Some points to note about the TADAT diagnostic approach are:

- TADAT assesses the performance outcomes achieved in the administration of the major direct and indirect taxes critical to central government revenues, specifically corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), domestic excise tax (with a focus is on those registered domestic excise taxpayers who trade in the category of goods/services that contribute 70 percent of the total domestic excise revenue by value), and Pay As You Earn (PAYE) amounts withheld by employers (which, strictly speaking, are remittances of PIT).. By assessing outcomes in relation to administration of these core taxes, a picture can be developed of the relative strengths and weaknesses of a country's tax administration.
- TADAT assessments are evidence based (see Attachment V for the sources of evidence applicable to the assessment of Republic of Moldova).

- TADAT is not designed to assess special tax regimes, such as those applying in the natural resource sector. Nor does it assess customs administration.
- TADAT provides an assessment within the existing revenue policy framework in a country, with assessments highlighting performance issues that may be best dealt with by a mix of administrative and policy responses.

2. The aim of TADAT is to provide an objective assessment of the health of key components of the system of tax administration, the extent of reform required, and the relative priorities for attention. TADAT assessments are particularly helpful in:

- Identifying the relative strengths and weaknesses in tax administration.
- Facilitating a shared view among all stakeholders (country authorities, international organizations, donor countries, and technical assistance providers).
- Setting the reform agenda (objectives, priorities, reform initiatives, and implementation sequencing).
- Facilitating management and coordination of external support for reforms and achieving faster and more efficient implementation.
- Monitoring and evaluating reform progress by way of subsequent repeat assessments.

II. COUNTRY BACKGROUND INFORMATION

A. Country Profile

General background information on Republic of Moldova and the environment in which its tax system operates are provided in the country snapshot in Attachment II.

B. Data Tables

Numerical data gathered from the authorities and used in this TADAT performance assessment is contained in the tables comprising Attachment III.

C. Economic Situation

Moldova is a small lower-middle-income country with a high Human Development Index (0.767)¹ and a gross national income per capita of USD 5,440. With a population of 2.6 million, it remains one of the poorest countries in Europe, although the Moldovan economy has expanded since the early 2000s. Remittances account for about a fifth of gross domestic product (GDP). Although a growth model reliant on remittance-induced consumption has generated high growth and reduced poverty, it had become less sustainable, well before the COVID-19 pandemic. The decline in remittances, combined with a shrinking and aging population, has resulted in low productivity growth, and a significant number of the lower-income population has become dependent on pensions and social assistance. The European Union (EU) is Moldova's main trading partner: over 60 percent of exports go to the EU, with around 50 percent of imports coming from the EU. Moldova officially applied for EU membership in March 2022, and the European Council granted Moldova candidate status for EU accession on June 23, 2022, contingent on specific steps to be taken in areas of the rule of law, anti-corruption, eliminating the excessive influence of vested interests, and economic reforms.

The war in Ukraine and the impact of sanctions on Russia and Belarus continue to weigh heavily on Moldova. Hardships posed by high energy and food prices and the significant costs of accommodating refugees risk undermining Moldova's fragile social fabric and delicate political balance.

The economy is projected to stagnate in 2022 as the impact of the war is likely to be prolonged. GDP grew by 1.1 percent in the first quarter (year-to-year), a quarter-to quarter contraction of 6.4 percent. Activity in 2022 Q1 was primarily supported by higher net exports, government consumption and, to a lesser extent, private consumption. Investment contributed negatively to growth. The unemployment rate increased moderately to 3 percent in 2022 Q1 (from 2.6 percent in 2021 Q4). Following an exceptionally good harvest in 2021, agricultural production is expected to be muted in 2022, held back by less favorable meteorological conditions and constrained supply and higher cost of

¹ United Nations Development Program (2022) viewed at <https://hdr.undp.org/human-development-report-2021-22>

inputs (fertilizers and fuel). Private consumption growth is also somewhat slower than anticipated. On the other hand, exports appear to be more resilient to trade disruptions in the region than originally expected, and Moldova's service sector is benefiting from the reorientation of regional trade flows through its transport infrastructure. The economic impact of the war is projected to persist over the medium term.

Risks remain exceptionally large and firmly tilted to the downside. A sharper-than-anticipated increase in energy prices or disruptions in energy supply continue to be key risks. While recent natural gas prices have been marginally lower than expected in Spring 2022, Moldova's energy security remains at risk of an interruption or reduction in natural gas or electricity deliveries, given the country's dependence on supply from Russia and the breakaway region of Transnistria. Food security risks may also amplify as the conflict persists, given significant food imports from Ukraine. An escalation of the conflict would exacerbate refugee inflows to Moldova, putting additional pressures on the government budget while financing conditions are tightening. Moldova's fragile social and political fabrics may also be tested by social unrest over rising costs of living and political discontent over policy decisions.

D. Main Taxes

For 2021, the main national taxes and contribution revenues were VAT (36.1 percent of total tax revenues); social and health fund contributions (31.5 percent); excises (10.8 percent); CIT (8.4 percent); and PIT (7.4 percent). Combined tax and social contribution revenues in 2021 amounted to 29.2 percent of GDP. Further details on tax revenue and social contribution collections are provided in Table 1 of Attachment III.

E. Institutional Framework

The Moldovan tax administration was restructured from April 2017 to merge the main state tax inspectorate and 35 territorial inspectorates into a single legal entity – the State Tax Service (STS). The STS is a separate organizational structure in the administrative system of the Ministry of Finance (MoF). The MoF sets the objectives of the STS and approves its structure and budget. The Director of the STS approves the scope of activities and the powers of the sub-divisions. The Director of the STS is assisted by four Deputy Directors. Most of the core functions are now centralized in four territorial offices – Center, South, North and Chisinau – with the network of local offices being responsible mainly for taxpayer services. There is also a Large Taxpayer Office (LTO)² and a centralized call center. Headquarters (HQ) has been reorganized broadly along functional lines. The staffing complement is 1,931. An organizational chart of the tax administration is provided in Attachment IV.

² Formally called the General Department for Administration of Large Taxpayers (GDALT).

F. Current Status of Tax Administration Reform

The STS is working on improving its operational capacity to deliver stronger core tax administration processes with a main focus on IT. IT overhaul is financed by the World Bank. Other key international development partners active in STS include US Treasury Office of Technical Assistance, Swedish Tax Administration, and IMF. The Government is preparing a wider tax policy reform which will have implications for tax administration development priorities.

G. International Information Exchange

The Republic of Moldova joined the Global Forum on Transparency and Exchange of Information for Tax Purposes on October 27, 2016, as the 136th member (out of current membership of 165). The Second Round Phase 1 Peer Review Report was published by the Global Forum on November 25, 2021.³ At the date of the peer review Moldova could exchange information with 148 partners through 47 double taxation conventions and the Multilateral Convention.

³ <https://www.oecd.org/countries/moldova/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-moldova-2021-second-round-phase-1-cbc82e22-en.html>

III. ASSESSMENT OF PERFORMANCE OUTCOME AREAS

A. POA 1: Integrity of the Registered Taxpayer Base

A fundamental initial step in administering taxes is taxpayer registration and numbering. Tax administrations must compile and maintain a complete database of businesses and individuals that are required by law to register; these will include taxpayers in their own right, as well as others such as employers with PAYE withholding responsibilities. Registration and numbering of each taxpayer underpins key administrative processes associated with filing, payment, assessment, and collection.

Two performance indicators are used to assess POA 1:

- P1-1—Accurate and reliable taxpayer information.
- P1-2—Knowledge of the potential taxpayer base.

P1-1: Accurate and reliable taxpayer information

For this indicator two measurement dimensions assess: (1) the adequacy of information held in the tax administration's registration database and the extent to which it supports effective interactions with taxpayers and tax intermediaries (i.e., tax advisors and accountants); and (2) the accuracy of information held in the database. Assessed scores are shown in Table 2 followed by an explanation of reasons underlying the assessment.

Table 2. P1-1 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P1-1-1. The adequacy of information held in respect of registered taxpayers and the extent to which the registration database supports effective interactions with taxpayers and tax intermediaries.	M1	D	D
P1-1-2. The accuracy of information held in the registration database.		D	

All filing and payment obligations of taxpayers with respect to their core tax obligations are not specified in the State Tax Register (STR). For those business entities and individual entrepreneurs that have been assigned an identification number (IDNO) by the Public Service Agency (PSA), the register does not indicate whether an annual CIT or PIT return is required to be filed. Importantly, whether or not a taxpayer has Withholding Tax obligations is also not recorded in the register. The register does, however, include separate sub-registers to identify taxpayers with VAT and excise obligations.⁴

⁴ The VAT and excise sub-registers facilitate prompt STS follow-up of non-compliance with VAT and excise filing obligations.

No management, internal audit, or external audit reports were available to provide an assurance of the accuracy of the VAT sub-registry. Nonetheless, it is recognized that: i) STS procedures do provide for visits to be undertaken to VAT registrants' premises before a VAT registration certificate is issued, ii) STS uses sales and purchases information in annexes to VAT returns to identify businesses that are not registered, and iii) STS closely monitors compliance with filing and payment obligations by registered VAT taxpayers on an ongoing basis.

The PSA is the principal source of data to initiate registrations of business taxpayers with the STS. Before commencing business operations, legal entities and most individual entrepreneurs must provide a range of documents and information to, and register with, the PSA. With the completion of PSA registration formalities, each registrant is issued an identification number (IDNO). PSA data on these registrations are transmitted daily to the STS for inclusion into the STR and the IDNO is used as the key taxpayer identifier for PSA registered taxpayers.

STS is also critically reliant upon the PSA to update the information of legal entities and individual entrepreneurs in its register on an ongoing basis. If entities and individuals registered with the PSA fail to inform the PSA of changes to contact details, business location, or the nature of business operations, the inaccurate data remains in the STR. It is not possible for the STS to modify registration data held by the PSA, even when STS is in possession of taxpayers' up-to-date information. A request to change PSA register data must be initiated by the relevant registrant.⁵

Individuals engaged in certain professions and businesses are not required to complete PSA registration formalities. Individuals engaged in the legal profession (including bailiffs), patent holders, and peasant farmers are subject to special regimes and their birth identity numbers (IDNP) are used as their taxpayer identifiers in the STR. IDNPs are also used as the taxpayer identifier by employees who are required to file annual income tax returns.

The STR has other limitations. For example, in the case of legal entities, the register does not record the identities of related entities and parties. It also does not interface with STS filing and payment systems and cannot archive information concerning taxpayers whose registrations have been cancelled.

More than one identification number is used by VAT and excise taxpayers in their dealings with the STS. When registered for VAT and/or excise, a separate identification number is issued in addition to the IDNO used as the primary tax ID. Taxpayers' VAT and/or excise numbers and their IDNOs are linked in the STR.

STS has a well-documented program to identify and remove inactive taxpayers from the STR. Detailed procedures have been issued in the form of an order and instructions which spell out the

⁵ PSA registrants may be reluctant to inform the PSA regarding changes to their contact and other information, especially if PSA may charge fees for such changes to the register.

circumstances where a taxpayer can be de-registered and the steps to be taken to complete that process. Territorial offices are responsible for the preparation and submission of lists of inactive taxpayers for transmission to STS HQ.

STS must rely upon the PSA to complete de-registration processes for legal entities and individual entrepreneurs included in the PSA register. STS HQ regularly sends to the PSA lists of taxpayers that should be de-registered. PSA can often take a period of months before completing de-registration processes.

STS is currently preparing a major campaign to remove a large number of peasant farmers from the STR. As most peasant farmers have no tax obligations, STS estimates that it may be possible to de-register up to 95,000 peasant farmers under a recently enacted law.⁶ The implementation of this campaign will be assigned to the territorial offices, but they will need to work closely with local government administrations in those territories since registration of peasant farmers was a responsibility of local government.

Authentication of taxpayers' identities may be problematic for STS in a range of circumstances. STS does not verify the identities of directors and shareholders of legal entities and individual entrepreneurs that register with the PSA, since PSA is responsible for any verification of their identities as part of its registration processes. It is understood that some Moldovan residents possess multiple passports issued by different countries. Unscrupulous individuals may use these different passports to establish multiple tax identities, thereby circumventing STS identity verification procedures. Identity theft can also be a risk.

STS does not use large-scale automated processes to verify and crosscheck STR registration information against databases of other government agencies. The reason that STS has not undertaken large-scale registration verification initiatives is that the IT systems of many government agencies are outmoded, and data held therein may not be reliable.

Many problems and limitations of the current register will be resolved when STS implements a new tax register. The new register is expected to be operational at the end of calendar year 2022. With an enhanced capacity, it will be able to identify all of a taxpayer's liabilities and record the dates upon which those liabilities arise. Information regarding fiscal visits will be linked to the register. Data from third parties can be integrated into the register. In particular, the new register will be linked to the real property register and taxpayers' road tax obligations will be identified. The new register will provide a clearer picture for officials regarding a taxpayer's active or inactive status. Multiple Taxpayer Identification Numbers (TINs) that taxpayers may have, will be able to be merged and the data of deregistered taxpayers will be able to be archived. Importantly, however, STS will continue to be critically dependent upon PSA to provide accurate information on the registrations of legal entities and most individual entrepreneurs and STS's limited powers to enforce the registration of unregistered

⁶ Law No. 51 of 10-03-2022 on measures to support the activities of peasant households (farmers).

taxpayers will remain an impediment to its compliance work.

P1-2: Knowledge of the potential taxpayer base

This indicator measures the extent of tax administration efforts to detect unregistered businesses and individuals. The assessed score is shown in Table 3 followed by an explanation of reasons underlying the assessment.

Table 3. P1-2 Assessment

Measurement dimension	Scoring Method	Score 2022
P1-2. The extent of initiatives to detect businesses and individuals who are required to register but fail to do so.	M1	C

STS territorial offices undertake frequent inspections to identify unregistered businesses, but these inspections are not based upon a systematic use of third-party data. Territorial offices may access local government sources (e.g., trader and business registrations) to detect businesses that may have commenced operations but have failed to register with STS, but this does not represent a systematic use of third-party data.

Territorial offices report regularly to STS HQ on actions taken to identify unregistered taxpayers. This information is included in reports to HQ on broader compliance activities undertaken by those offices and on the identified taxpayers as a result.

Regarding territorial offices' contacts with unregistered businesses, they generally take the form of an advisory visit to explain filing and payment obligations in light of their business operations. The tax code does not give STS the power to enforce registration by unregistered businesses. Nonetheless, if such businesses fail to register after advisory visits, STS territorial offices can refer them to the General Department for Compliance for audit follow-up.

B. POA 2: Effective Risk Management

Tax administrations face numerous risks that have the potential to adversely affect revenue and/or tax administration operations. For convenience, these risks can be classified as:

- Compliance risks—where revenue may be lost if businesses and individuals fail to meet the four main taxpayer obligations (i.e., registration in the tax system; filing of tax declarations; payment of taxes on time; and complete and accurate reporting of information in declarations); and
- Institutional risks—where tax administration functions may be interrupted if certain external or internal events occur, such as natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches (e.g., leakage of confidential taxpayer information which results in loss of community confidence

and trust in the tax administration). For TADAT purposes, institutional risk is divided into two components. These are:

- *Operational risk*—refers to disruptive actions that destroy or affect part or all of the administration’s assets and resources, such as buildings, IT, and other equipment, data and records; and
- *Human capital risk*—refers to interruptions that affect the tax administration arising out of capability, capacity, compliance, cost and connection (engagement) gaps of and by its employees.

Risk management is essential to effective tax administration and involves a structured approach to identifying, assessing, prioritizing, and mitigating risks. It is an integral part of multi-year strategic and annual operational planning.

Five performance indicators are used to assess POA 2:

- P2-3—Identification, assessment, ranking, and quantification of compliance risks.
- P2-4—Mitigation of risks through a compliance improvement plan.
- P2-5—Monitoring and evaluation of compliance risk mitigation activities.
- P2-6—Management of operational (i.e., systems and processes) risks.
- P2-7—Management of human capital risks.

P2-3: Identification, assessment, ranking, and quantification of compliance risks

For this indicator two measurement dimensions assess: (1) the scope of intelligence gathering and research to identify risks to the tax system; and (2) the process used to assess, rank, and quantify compliance risks. Assessed scores are shown in Table 4 followed by an explanation of reasons underlying the assessment.

Table 4. P2-3 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P2-3-1. The extent of intelligence gathering and research to identify compliance risks in respect of the main tax obligations.	M1	C	C
P2-3-2. The process used to assess, rank, and quantify taxpayer compliance risks.		C	

The assessment team found no evidence that data from a range of external sources was gathered and interpreted. Access to data to inform risk assessment is largely limited to internal sources. With the exception of certain non-entrepreneurial taxpayers, for whom the law requires the

reporting of specific third-party data, information sources are mainly limited to tax declarations, financial accounts, and results of tax audits.⁷ Some Customs data are available, and financial institutions notify STS when a bank account is opened, but there is very little access to the wide range of data needed to build knowledge of compliance levels and risks. Additionally, due to compatibility issues and absence of a data warehouse, data from other public bodies cannot be readily used for compliance risk assessment.

There are no environmental scans performed as part of a multi-year strategic planning process.

Using the limited data available, however, the STS has developed an annual approach to assessing and quantifying compliance risks. This approach identifies important sectors in the economy and applies pre-defined risk rules to taxpayers in those sectors to try to establish tax gaps. The process is performed annually. From time-to-time, detailed analyses of specific risk sectors (dentists, meat producers) are performed, but it is not clear how these analyses form part of the assessment and prioritization of compliance risks.

The General Department for Compliance draws up an annual compliance improvement plan.

Compliance risks are codified in a risk register that is updated regularly and published. The risks are subdivided into general risks (14), specific risks (27), VAT risks (21), and risks relating to large taxpayers (27). Feedback from audit activities is regularly captured to update the risk rules. Each year a new compliance plan sets out priority risks, using a methodology prescribed by STS Order number 107 of 2015 (updated annually).

While this is a documented, structured procedure, it does not form part of a multi-year strategic process, or operational planning process.

Each annual compliance plan builds on plans from previous years so that there are far too many priorities. The Compliance Plan for 2022, for example, recognizes priority risks in eight major economic sectors and three additional risk segments (*bureaux de change*, lessors, and those with transactions with non-resident companies). To these are added risks in the large taxpayer population and three specific risk phenomena (undeclared wages, undeclared day labor, and non-entrepreneurial individuals with significant bank transactions). Risk of non-payment of tax is considered, as is the risk of illicit trade (non-registration). The process does not ultimately rank or prioritize the identified risks, nor set out a medium-term strategy to mitigate them.

P2-4: Mitigation of risks through a compliance improvement plan

This indicator examines the extent to which the tax administration has formulated a compliance improvement plan to address identified risks. The assessed score is shown in Table 5 followed by an explanation of reasons underlying the assessment.

⁷ Under Chapter 11¹ of the Tax Code financial institutions, stockbrokers, notaries, insurance companies, real estate agents, travel agents, etc., are obliged to provide information on transactions, but only for certain non-entrepreneurial individuals.

Table 5. P2-4 Assessment

Measurement dimension	Scoring Method	Score 2022
P2-4. The degree to which the tax administration mitigates assessed risks to the tax system through a compliance improvement plan.	M1	C

The Compliance Program has broad mitigation strategies for all identified risks, and core tax obligations, but it is not fully resourced. The 2022 Compliance Program, as for previous years, proposes a graduated response to identified compliance risks, ranging from advisory letters and visits, to tax audits and enforcement actions. No detail is provided regarding the number and mix of the various treatments needed to mitigate the risks, or of the resources needed.

This program is essentially used as a case selection tool for audit and compliance interventions. Annual, quarterly, and monthly lists of high-risk taxpayers (by sector and risk score) are drawn up and sent to the territorial offices and the tax audit department for escalating range of interventions (from compliance letters to advisory visits and audits). The lists are generally kept small, to take account of available staff resources and to allow for other discretionary work at local level. No consideration seems to be given to optimizing the use of resources to fully address priority risks, or to the resourcing of project teams to mitigate those risks.

There is no specific strategy for key segments, such as large taxpayers. Some account is taken of specific large taxpayer risks in designing the risk rules and a methodology has been devised for assigning large taxpayers into quadrants of low, medium, high-risk, and key taxpayers. There is, however, no distinct strategy for managing the compliance risks of this important segment that contributes up to 36 percent of total tax revenue.⁸ Ultimately, the treatments and mitigations applied to large taxpayers are the same as those applied to all taxpayers).

P2-5: Monitoring and evaluation of compliance risk mitigation activities

This indicator looks at the process used to monitor and evaluate compliance mitigation activities. The assessed score is shown in Table 6 followed by an explanation of reasons underlying the assessment.

Table 6. P2-5 Assessment

Measurement dimension	Scoring Method	Score 2022
P2-5. The process used to monitor and evaluate the impact of compliance risk mitigation activities.	M1	C

⁸ STS Taxpayer Compliance Program 2022.

A Compliance Risk Committee was established in November 2017, but it is not very active. The Committee, which represents senior management, has a wide brief, including: to examine and approve risks and sectors, to approve treatment strategies, and to monitor implementation and effectiveness of the strategies. The Committee has met only twice in recent years – in July 2020 to approve the compliance plan for 2020, and again in October 2021 to consider and approve the Compliance Strategy for 2022. It has not yet met in 2022.

The effectiveness of some, but not all, of the approved compliance risk mitigation strategies is evaluated. Quarterly and annual reports are prepared showing variations in tax payments and arrears in the identified sectors following ‘voluntary compliance treatments’.⁹ Reports cite the numbers of compliance letters, meetings, and visits (not audits) to taxpayers. Indices of taxes paid and of tax arrears in the identified sectors are compared to the corresponding period in the previous year. More detailed annual reports examine the indices (including level of wages paid) for monitored taxpayers from each territorial office. While there is no direct link, increased levels of payment are assumed to be the result of the voluntary compliance work done in the territorial offices.

There are further layers of evaluation, but the reports do not seem to feed into formulating the compliance strategy. A cost benefit analysis of voluntary compliance interventions was conducted in 2020 which measured increases in taxes paid against staff resources used. Another report from January 18, 2022, considered the impact on taxpayer compliance following interventions in 2021 using the operative control method (on-the-spot checks). In the absence of an active Compliance Risk Management Committee, no evidence was provided on the extent to which the impact of all compliance activities is reviewed by senior management.

P2-6: Management of operational risks

This indicator examines how the tax administration manages operational risks other than those related to human resources. The assessed score is shown in Table 7 followed by an explanation of reasons underlying the assessment.

Table 7. P2-6 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P2-6-1. The process used to identify, assess and mitigate operational risks.	M1	C	C
P2-6-2. The extent to which the effectiveness of the business continuity program is tested, monitored and evaluated.		C	

⁹ ‘Voluntary compliance’ treatments are performed on selected high-risk taxpayers by the taxpayer service staff in the territorial offices. The treatments include phone calls, emails, letters, and visits to the taxpayer to request improved compliance.

STS has a process in place to manage operational risks but regular training for staff in operational risks is not fully implemented. STS has developed and applied a methodology, based on internationally accepted risk methodologies, to identify, assess and mitigate operational risk and to monitor and evaluate continuity plans. A Risk Register has been developed that has been enlarged by regularly adding risks. The Risk Register includes 45 up-to-date operational risks and is structured to address five main risks categories: institutional risk; financial risks; operational risks; IT Risks; and support risk. For each registered risk, "Risk passports" were developed, including business impact analyses and other key risk-management related information.¹⁰ All STS staff have been virtually trained in occupational safety. However, regular training for staff in the operational risk management roles and responsibilities is still at an early stage.

An Institutional Risk Committee¹¹ is in place to identify new risks and follow-up on mitigation strategies. Well-defined Business Continuity Plans (BCP) have been developed and implemented for certain risks – fire, IT, and gas supply. Fire drills and Information and Communication Technologies (ICT) continuity exercises were conducted in December 2021 and the results were documented. Additionally, STS developed guidelines and IT tools that allows staff to work from home (e.g., access to notebooks and STS databases, e-signature).

The Institutional Risk Committee monitors the implementation of the BCPs on a quarterly basis. The Risk Committee also reviews the results of the tests that are used by STS to update the BCPs. The BCPs' effectiveness has been tested and audited on an ad hoc basis by the internal audit function and the results are documented. However, no external body has audited the BCPs' effectiveness.

P2-7: Management of human capital risks

This indicator examines how the tax administration manages human capital risks. The assessed score is shown in Table 8 followed by an explanation of reasons underlying the assessment.

¹⁰ For example, risk name, code, date of risk inclusion in the risk register, risk description, impact and reasons for estimating the impact, probability and reasons for estimating the probability, risk value, importance, and control activities.

¹¹ The Risk Committee comprises senior managers, led by a chairman and supported by a secretary.

Table 8. P2-7 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P2-7-1. The extent to which the tax administration has in place the capacity and structures to manage human capital risks.	M1	D	D
P2-7-2. The degree to which the tax administration evaluates the status of human capital risks and related mitigation interventions.		B	

STS has the capacity and structures to manage Human Capital Risks (HCR), but no review of the Human Resource (HR) operations and systems has been conducted by an independent third party in the last seven years. There are formal processes in place to identify, assess, prioritize, and mitigate HCR within the institutional risk management framework described above. Ten risks related to HR are included in the risk register and risk passports have been developed. All staff in HR Management Department have an understanding of HR risks. STS has included HCR awareness in their leadership training. A performance evaluation framework requires all staff to agree on performance expectations with their line-manager at least twice a year. No evidence has been presented of any review of HR operations and systems by an independent third party in the last seven years.

STS evaluates the status of HCR and related mitigation interventions covering at least one risk in each of the required categories and an additional seven from across all categories. The Institutional Risk Committee—with competent persons independent of the HR function—conducts a formal evaluation of the HCR status every six months, covering at least one risk in each of the categories outlined in Box 4 of the TADAT Field Guide 2019 and additional four from across all categories.¹² The committee also evaluates the efficacy of risk mitigating interventions. The 2021 annual report contains a section (Chapter 9) that deals with human capital risks.

C. POA 3: Supporting Voluntary Compliance

To promote voluntary compliance and public confidence in the tax system, tax administrations must adopt a service-oriented attitude toward taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations and claim their entitlements under the law. Because few taxpayers use the law itself as a primary source of information, assistance from the tax administration plays a crucial role in bridging the knowledge gap. Taxpayers expect that the tax administration will provide summarized, understandable information on which they can rely.

¹² For the purpose of the TADAT assessment, only the ten risks included formally in the risk register and where risk passports have been developed have been considered. However, STS conducts many activities (e.g., internship programs, stand in job fairs, mentoring program, etc.) described in Box 4. Key Human Capital Risk Elements of the TADAT Field Guide 2019 (pg. 34).

Efforts to reduce taxpayer costs of compliance are also important. Small businesses, for example, gain from simplified record keeping and reporting requirements. Likewise, individuals with relatively simple tax obligations (e.g., employees, retirees, and passive investors) benefit from simplified filing arrangements and systems that eliminate the need to file.

Four performance indicators are used to assess POA 3:

- P3-8—Scope, currency, and accessibility of information.
- P3-9—Time taken to respond to information requests.
- P3-10—Scope of initiatives to reduce taxpayer compliance costs.
- P3-11—Obtaining taxpayer feedback on products and services.

P3-8: Scope, currency, and accessibility of information

For this indicator four measurement dimensions assess: (1) whether taxpayers have the information they need to meet their obligations; (2) whether the information available to taxpayers reflects the current law and administrative policy; (3) how easy it is for taxpayers to obtain information. Assessed scores are shown in Table 9 followed by an explanation of reasons underlying the assessment.

Table 9. P3-8 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P3-8-1. The range of information available to taxpayers to explain, in clear terms, what their obligations and entitlements are in respect of each core tax.	M1	B	B
P3-8-2. The degree to which information is current in terms of the law and administrative policy.		A	
P3-8-3. The ease by which taxpayers obtain information from the tax administration.		A	

The STS website, the main source of information for taxpayers, provides a wide range of data on all tax obligations and entitlements for all core taxes. The website includes a useful calendar to remind taxpayers when deadlines are approaching. Information is easily accessible and is categorized by taxpayer type (legal entity, physical person, non-resident, etc.) making it easier to find the relevant information. Nonetheless, key industry groups and taxpayer segments, for example large taxpayers, are not specifically addressed. There is also a large searchable database of tax precedents (the Generalized Basis of Tax Practice), explaining tax law and practice in clear terms.

Information is tailored for tax intermediaries, and the needs of one key taxpayer segment (new taxpayers) both required for a B score. Information on the website is not specifically tailored to the needs of tax intermediaries, but there is a very active Facebook page *Contabil News* specifically aimed at meeting their information needs. A section on the website is devoted to new taxpayers, with a

booklet 'The Beginner Taxpayer's Guide – Tax Issues' that helps the new taxpayer segment to understand what they need to do in relation to tax, and how to get further help and support from the STS. Disadvantaged groups are not yet catered for, but the STS is working towards that objective. Meetings have been held with groups representing people with disabilities and the new-look website, launched in 2021, has a setting to make it more accessible to people with sight impairment.

A small unit in the Cooperation and Exchange of Information Department is tasked with keeping the information on the website current. SFS order no. 285 of 2021 sets out the procedures and requires this unit, with two dedicated technical staff, to continually keep the STS website up to date.

Taxpayers are made aware of legislative changes affecting them in advance, as far as is possible. For example, a new law providing for deregistration of peasant farmers came into force on May 1, 2022. That law change was flagged to the affected taxpayers in an issue of the STS publication, the *Fiscal Monitor*, on March 11, 2022.

A section of the website is devoted to future taxpayers and a range of educational videos have been produced. With assistance from the Swedish tax administration, a range of videos has been produced for students. STS staff look for opportunities to reach out to taxpayers and have been active participants in television shows relating to tax matters.

P3-9: The time taken to respond to requests for information.

This indicator examines how quickly the tax administration responds to requests by taxpayers and tax intermediaries for information (for this dimension, waiting time for telephone enquiry calls is used as a proxy for measuring a tax administration's performance in information requests generally). Assessed scores are shown in Table 10 followed by an explanation of reasons underlying the assessment.

Table 10. P3-9 Assessment

Measurement dimension	Scoring Method	Score 2022
P3-9: The time taken to respond to taxpayers and tax intermediaries' requests for information.	M1	A

A call center is available to provide technical support to taxpayers, as well as information about tax law. The service is run by the Center of IT in Finance (CITF), which is not within the STS, but its staff are trained to answer general queries about tax law. About one-quarter of the queries relate to tax law, with three-quarters seeking IT technical support. Almost 98 percent of calls are answered within 6 minutes, as per the numerical data provided in Table 3 in Attachment III.

There is no commitment to timely responses to taxpayers, but the law requires all government agencies to respond to citizens within 30 days. The taxpayers' charter on the STS website sets out

rights and obligations, but it makes no mention of a timeliness standard. A document management system, Synapsis, records all correspondence received, to whom it is assigned, and the timeliness of the response.

P3-10: Scope of initiatives to reduce taxpayer compliance costs

This indicator examines the tax administration's efforts to reduce taxpayer compliance costs.

Assessed scores are shown in Table 11 followed by an explanation of reasons underlying the assessment.

Table 11. P3-10 Assessment

Measurement dimension	Scoring Method	Score 2022
P3-10. The extent of initiatives to reduce taxpayer compliance costs.	M1	D

STS does not routinely review common mistakes and misinterpretations of the law encountered by administration and control staff. While frequently asked questions are analyzed and the Generalized Basis of Tax Practice updated accordingly, procedures have not been put in place to obtain feedback from front-line staff involved in service or verification activities.

Reducing taxpayer compliance costs is expressed as a priority for STS. Reducing compliance costs and the administrative burden on taxpayers are the first two priorities of the STS Action Plan for 2022. It is planned to achieve these objectives through increased digitization of forms and processes and development of proposals to reduce the administrative burden on taxpayers.

Much work has already been done to reduce taxpayer compliance cost. There are simplified systems for small taxpayers, some forms are prefilled, and forms are regularly reviewed and updated. The standard tax declaration, the VEN12 runs to 10 pages, but a shorter, one-page form (SIMM20) has been developed for small and medium enterprises. An even simpler AI17 form is used by small taxpayers who have simplified record keeping requirements and pay income tax on a percentage of turnover. Taxpayers with employers are required to file annual PIT returns – STS uses prefilled forms to make compliance with this requirement easier. All tax forms are regularly reviewed and updated.

All taxpayers have secure 24-hour access to their tax accounts. Taxpayers increasingly use electronic services (as shown in Table 11 at Attachment III) which provide 24-hour access to their tax accounts. A small survey conducted by STS in 2021 indicated a high degree of satisfaction with the electronic services provided.

P3-11: Obtaining taxpayer feedback on products and services

For this indicator, two measurement dimensions assess: (1) the extent to which the tax administration seeks taxpayer and other stakeholder views of service delivery; and (2) the degree to which taxpayer feedback is taken into account in the design of administrative processes and products. Assessed scores are shown in Table 12 followed by an explanation of reasons underlying the assessment.

Table 12. P3-11 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P3-11-1. The use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided.	M1	B	C
P3-11-2. The extent to which taxpayer input is taken into account in the design of administrative processes and products.		C	

STS increasingly uses its website to get feedback from taxpayers. In the past twelve months, six taxpayer perception surveys were conducted on topics ranging from integrity of STS staff to the quality of responses to taxpayer requests. The sample sizes tend to be small, ranging from 132 to 2,313, but the exercise is useful, and the results of the surveys are published on the STS website.

A third-party survey into taxpayers' perception of STS services was conducted in late 2018¹³ - another will not be completed within three years. The Magenta survey, which was published in January 2019, interviewed a representative sample of 464 enterprises and 85 large taxpayers. It was commissioned as part of the World Bank-supported Tax Administration Modernization Program (TAMP) – a repeat survey is due to be undertaken under the TAMP program during 2022, four years after the previous survey.

Taxpayer and tax intermediary input is increasingly taken into account in improving administrative processes. There are frequent and robust exchanges with some 12,000 tax intermediaries on the Facebook page, *Contabili News* (Accountants News) and bi-monthly meetings are held with representatives of this group. Feedback from these meetings is analyzed and changes made to administrative processes and products as a result. Taxpayer surveys are analyzed, and action taken to improve services, at least on an *ad hoc* basis. Taxpayer input was invited at 'taxpayer days' at town halls in August 2022, but this initiative is too recent to be regarded as regular.

¹³ By Magenta Consulting.

D. POA 4: Timely Filing of Tax Declarations

Filing of tax declarations (also known as tax returns) remains a principal means by which a taxpayer's tax liability is established and becomes due and payable. As noted in POA 3, however, there is a trend towards streamlining preparation and filing of declarations of taxpayers with relatively uncomplicated tax affairs (e.g., through pre-filing tax declarations). Moreover, several countries treat income tax withheld at source as a final tax, thereby eliminating the need for large numbers of PIT taxpayers to file annual income tax declarations. There is also a strong trend towards electronic filing of declarations for all core taxes. Declarations may be filed by taxpayers themselves or via tax intermediaries.

It is important that all taxpayers who are required to file do so, including those who are unable to pay the tax owing at the time a declaration is due (for these taxpayers, the first priority of the tax administration is to obtain a declaration from the taxpayer to confirm the amount owed, and then secure payment through the enforcement and other measures covered in POA 5).

Three performance indicators are used to assess POA 4:

- P4-12—On-time filing rate.
- P4-13—Management of non-filers
- P4-14—Use of electronic filing facilities.

P4-12: On-time filing rate

A single performance indicator, with four measurement dimensions, is used to assess the on-time filing rate for CIT, PIT, VAT and domestic excise tax, and PAYE withholding declarations. A high on-time filing rate is indicative of effective compliance management including, for example, provision of convenient means to file declarations (especially electronic filing facilities), simplified declarations forms, and enforcement action against those who fail to file on time. Assessed scores are shown in Table 13 followed by an explanation of reasons underlying the assessment.

Table 13. P4-12 Assessment

Measurement dimensions	Scoring Method	Score 2022
P4-12-1. The number of CIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered CIT taxpayers.	M2	B
P4-12-2. The number of PIT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered PIT taxpayers.		B
P4-12-3. The number of VAT declarations filed by the statutory due date as a percentage of the number of declarations expected from registered VAT taxpayers.		B
P4-12-4. The number of domestic excise tax declarations filed by the statutory due date as a percentage of the number of declarations expected from registered domestic excise taxpayers.		C
P4-12-5. The number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the number of PAYE declarations expected from registered employers.		B

On-time CIT filing rates have improved in recent years with filing rates of 81.1 percent for all CIT taxpayers and 96.7 percent for CIT large taxpayers. As mentioned at POA 1, the STR does not provide separate sub-registers to identify legal entities and individual entrepreneurs that are, respectively, liable to file CIT and PIT returns. Nonetheless, STS can now separate these two categories of taxpayers (based upon the types of returns that they are required to file) which, in turn, facilitates the tracking of filing compliance. Mandatory rules for electronic filing of returns by most legal entities and improvements to STS's electronic services and taxpayers' ready access to their personal cabinets may have also led to improvements on-time CIT filing rates.

Improvements in on-time PIT filing compliance have also been achieved with a filing rate of 84.3 percent for all PIT taxpayers. STS has made significant efforts to identify inactive individual taxpayers and remove from the register those who have no tax obligations. Data in Table 2 of Attachment III shows that, in the period 2019-2021, more than 60,000 individual taxpayers have been removed from the register. These actions, plus steps taken by territorial offices to track PIT filing compliance more closely, have impacted on-time PIT return filing rates.

VAT on-time filing compliance rates continue to be at a high level with filing rates of 93.7 percent for all VAT taxpayers and 98.6 percent for VAT large taxpayers. Ready access to the separate VAT sub-register allows STS staff to closely monitor monthly VAT filing obligations of assigned taxpayers and to take follow-up action quickly, including VAT de-registration steps in cases

where VAT taxpayers engage in non-compliant behaviors over a period of time.¹⁴

On-time excise return filing rates stood at 84 percent for all excise taxpayers, and 91.4 percent for large taxpayers. There was a noticeable variance in compliance with excise tax return filing obligations by large taxpayers over the July 2021- June 2022 period. Because of the small number of identified large excise taxpayers (27), the failure by five of these taxpayers to file on-time in the July – December 2021 period significantly impacted the overall excise return filing compliance rate for large taxpayers in the 2021-2022 period, as measured in Table 9 (Attachment III).¹⁵

STS has developed tighter controls over tax return filing compliance in recent years. While separate sub-registers continue to facilitate the monitoring of monthly return filing by VAT and excise taxpayers, CIT and PIT filing is harder to monitor. STS has developed “workarounds” to improve the identification of CIT and PIT taxpayers and keep track of their filing compliance.

STS has also prepared detailed lists of employers who should file monthly PAYE withholding returns. During the 2019-2022 period, STS has undertaken a major clean-up to remove more than 35,000 taxpayers from the obligation to file PAYE withholding declarations. Nonetheless, although improvements in PAYE withholding on-time declaration filings have been achieved, the overarching compliance problem of under-reporting of salary and wage income paid by employers remains a critical and daunting challenge for STS.

For numerical data see Tables 4 to 10 in Attachment III.

P4-13: Management of non-filers

This indicator measures the extent to taxpayers who have failed to file declarations when due are managed. The assessed score is shown in Table 14 followed by an explanation of reasons underlying the assessment.

¹⁴ It should be noted that, to ensure the accuracy of VAT return filing data presented in Tables 6 and 7 (Attachment III), the number of on-time return filings reported excludes “one-time” VAT declarations (for example, VAT declarations reporting isolated taxable transactions involving the importation of taxable services from abroad).

¹⁵ STS officials explained that, because these five excise taxpayers did not make sales of excisable products during July – December 2021, they mistakenly understood that they did not have to file monthly excise returns in that period. Following consultations with these taxpayers to clarify their filing obligations, on-time excise return filing compliance rates for large taxpayers increased to 100 percent in the January - June 2022 period.

Table 14. P4-13 Assessment

Measurement dimension	Scoring Method	Score 2022
P4-13. Action taken to follow up non-filers.	M1	D

As automated systems to identify late filers or non-filers are not used and penalties are not automatically generated for non-filers. It is noted, however, that the STS Taxpayer Services Manual provides extensive guidance on steps to be taken by territorial officers to ensure on-time return filings and to follow-up on late filers and non-filers. Quarterly reports on filing compliance and non-filer numbers are submitted by territorial offices to the General Department for Compliance in HQ.

P4-14: Use of electronic filing facilities

This indicator measures the extent to which declarations, for all core taxes, are filed electronically. Assessed scores are shown in Table 15 followed by an explanation of reasons underlying the assessment.

Table 15. P4-14 Assessment

Measurement dimension	Scoring Method	Score 2022
P4-14. The extent to which tax declarations are filed electronically.	M1	C

More than 50 percent of declarations are filed electronically for at least two core taxes. In 2021, electronic filings of VAT, PAYE withholding, and CIT returns all exceeded the 70 percent requirement but only 21.2 percent of PIT returns were filed electronically in that year (Table 11 in Attachment III). Electronic filing of returns is mandatory for VAT, and for most CIT and PAYE withholding tax filers under STS rules. PIT taxpayers are generally not required to file electronically unless they are registered VAT taxpayers or, as entrepreneurs, they employ more than five persons.

E. POA 5: Timely Payment of Taxes

Taxpayers are expected to pay taxes on time. Tax laws and administrative procedures specify payment requirements, including deadlines (due dates) for payment, who is required to pay, and payment methods. Depending on the system in place, payments due will be either self-assessed or administratively assessed. Failure by a taxpayer to pay on time results in imposition of interest and penalties and, for some taxpayers, legal debt recovery action. The aim of the tax administration should be to achieve high rates of voluntary on-time payment and low incidence of tax arrears.

Four performance indicators are used to assess POA 5:

- P5-15—Use of electronic payment methods.
- P5-16—Use of efficient collection systems.

- P5-17—Timeliness of payments
- P5-18—Stock and flow of tax arrears.

P5-15: Use of electronic payment methods

This indicator examines the degree to which core taxes are paid by electronic means without the direct intervention of bank staff or tax administration, including through electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Government's account), credit cards, and debit cards. Assessed scores are shown in Table 16 followed by an explanation of reasons underlying the assessment.

Table 16. P5-15 Assessment

Measurement dimension	Scoring Method	Score 2022
P5-15. The extent to which core taxes are paid electronically.	M1	A

All core taxes administered by the STS must be and are paid electronically – see Table 11 in Attachment III.

P5-16: Use of efficient collection systems

This indicator assesses the extent to which acknowledged efficient collection systems—especially withholding at source and advance payment systems—are used. Assessed scores are shown in Table 17 followed by an explanation of reasons underlying the assessment.

Table 17. P5-16 Assessment

Measurement dimension	Scoring Method	Score 2022
P5-16. The extent to which withholding at source and advance payment systems are used.	M1	A

Withholding at source and advance payment systems are used. Moldova's tax laws require the following: i) withholding at source on all employment income; ii) advance payments on account of CIT and PIT obligations; and iii) withholding tax on dividends and interest.

P5-17: Timeliness of payments

This indicator assesses the extent to which payments are made on time (by number and by value). For TADAT measurement purposes, VAT payment performance is used as a proxy for on-time payment performance of core taxes generally. A high on-time payment percentage is indicative of sound compliance management including, for example, provision of convenient payment methods

and effective follow-up of overdue amounts. Assessed scores are shown in Table 18 followed by an explanation of reasons underlying the assessment.

Table 18. P5-17 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P5-17-1. The number of VAT payments made by the statutory due date in percent of the total number of payments due.	M1	B	B
P5-17-2. The value of VAT payments made by the statutory due date in percent of the total value of VAT payments due.		B	

The rate of the number of on-time VAT payments was 97.6 percent of payments from all VAT taxpayers, and 98.8 percent of VAT payments from large taxpayers. (See Table 12 in Attachment III).

The rate of the value of on-time VAT payments was 98.1 percent of VAT payments from all VAT taxpayers, and 98.8 percent of the value of VAT payments from VAT large taxpayers. (See Table 12 in Attachment III).

P5-18: Stock and flow of tax arrears

This indicator examines the extent of accumulated tax arrears. Two measurement dimensions are used to gauge the size of the administration's tax arrears inventory: (1) the ratio of end-year tax arrears to the denominator of annual tax collections; and (2) the more refined ratio of end-year 'collectible tax arrears' to annual collections.¹⁶ A third measurement dimension looks at the extent of unpaid tax liabilities that are more than a year overdue (a high percentage may indicate poor debt collection practices and performance given that the rate of recovery of tax arrears tends to decline as arrears get older). Assessed scores are shown in Table 19 followed by an explanation of reasons underlying the assessment.

¹⁶ For purposes of this ratio, 'collectible' tax arrears is defined as total domestic tax arrears excluding: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

Table 19. P5-18 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P5-18-1. The value of total core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.	M2	C	C+
P5-18-2. The value of collectible core tax arrears at fiscal year-end as a percentage of total core tax revenue collections for the fiscal year.		A	
P5-18-3. The value of core tax arrears more than 12 months old as a percentage of the value of all core tax arrears.		D	

The three-year average of total core tax arrears represents 20.6 percent of total core tax collections over that same period. Core arrears remained relatively stable in the 2019 and 2020 years but increased marginally by 4.6 percent in 2021.

The three-year average of collectible core tax arrears represents 2.8 percent of total core tax collections over that same period. It should be noted that there has been an incremental increase in collectible arrears in each year over the three-year period rising from 2.2 percent in 2019 to 3.2 percent in 2021.

The three-year average of core tax arrears more than 12 months old represents 78.6 percent of the value of all core tax arrears over that same period. In discussions with STS officials responsible for arrears management, they indicated that there are two key reasons why STS has a major problem with aging arrears. The first is that there is a backlog of insolvency cases that are beyond the powers of the STS to resolve on a timely basis since they involve civil court proceedings and the participation of other government agencies. The other reason is that there are a number of cases involving criminal proceedings where large amounts of unpaid taxes are involved, and it is not possible to liquidate the entities associated with these cases while criminal proceedings are before the courts.

For numerical data see Table 13 in Attachment III.

F. POA 6: Accurate Reporting in Declarations

Tax systems rely heavily on complete and accurate reporting of information by taxpayers in tax declarations. Tax administrations therefore need to regularly monitor tax revenue losses from inaccurate reporting, especially by business taxpayers, and take a range of actions to ensure compliance. These actions fall into two broad groups: verification activities (e.g., tax audits, investigations, and income matching against third party information sources) and proactive initiatives (e.g., taxpayer assistance and education as covered in POA 3, and cooperative compliance approaches).

If well designed and managed, tax audit programs can have far wider impact than simply raising additional revenue from discrepancies detected by tax audits. Detecting and penalizing serious offenders serve to remind all taxpayers of the consequences of inaccurate reporting.

Also prominent in modern tax administration is high-volume automated crosschecking of amounts reported in tax declarations with third-party information. Because of the high cost and relative low coverage rates associated with traditional audit methods, tax administrations are increasingly using technology to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Proactive initiatives also play an important role in addressing risks of inaccurate reporting. These include adoption of cooperative compliance approaches to build collaborative and trust-based relationships with taxpayers (especially large taxpayers) and intermediaries to resolve tax issues and bring certainty to companies' tax positions in advance of a tax declaration being filed, or before a transaction is actually entered into. A system of binding tax rulings can play an important role here.

Finally, on the issue of monitoring the extent of inaccurate reporting across the taxpayer population generally, a variety of approaches are being used, including: use of tax compliance gap estimating models, both for direct and indirect taxes; advanced analytics using large data sets (e.g., predictive models, clustering techniques, and scoring models) to determine the likelihood of taxpayers making full and accurate disclosures of income; and surveys to monitor taxpayer attitudes towards accurate reporting of income.

Against this background, four performance indicators are used to assess POA 6:

- P6-19—Scope of verification actions taken to detect and deter inaccurate reporting.
- P6-20—Use of large-scale data-matching systems to detect inaccurate reporting.
- P6-21—Initiatives undertaken to encourage accurate reporting.
- P6-22—Monitoring the tax gap to assess inaccuracy of reporting levels.

P6-19: Scope of verification actions taken to detect and deter inaccurate reporting

For this indicator, four measurement dimensions provide an indication of the nature and scope of the tax administration's verification program. Assessed scores are shown in Table 20 followed by an explanation of reasons underlying the assessment.

Table 20. P6-19 Assessment

Measurement dimensions	Scoring Method	Score 2022
P6-19-1. The nature and scope of the tax audit program in place to detect and deter inaccurate reporting.	M1	C
P6-19-2. The extent to which the audit program is systematized around uniform practices.		A
P6-19-3. The degree to which the quality of taxpayer audits is monitored.		A
P6-19-4. The degree to which the tax administration monitors the effectiveness of the taxpayer audit function.		D

The STS conducts a wide range of tax audits and audit-type interventions. Audits are classified as planned or unplanned, operative (on-the-spot checks) or post-operational, total (comprehensive), partial, thematic (mainly VAT refund claims), or factual verification. There are also fiscal posts¹⁷ and tax crime investigations. In addition, territorial tax offices carry out desk audits of specific circumstances (late filing, VAT deregistration, refunds to individuals) and are responsible for so-called ‘voluntary compliance’ interventions – these are more advisory in nature and include phone calls, emails, letters, and visits to monitored taxpayers to request improvements in compliance indicators. The ‘voluntary compliance’ work is not generally considered to be tax audit, although it is sometimes included in reviews of audit results.¹⁸

Audits cover all core taxes, major economic sectors, large taxpayers, and wealthy individuals, and can use direct and indirect methods. While there is no specific audit program for withholding taxes, total (comprehensive) audits cover all taxes for which a taxpayer is registered for a period of four years. The annual audit plan identifies cases in high-risk segments and sectors. Indirect methods are allowed in the law and are used mainly in a program of estimating liabilities of wealthy individuals in the General Department for Administration of Large Taxpayers (GDALT). The GDALT also has two directorates for audit of large corporates, with 27 auditors, in addition, 8 GDALT auditors are assigned to audit wealthy individuals.

Only a small proportion of audits are selected centrally on the basis of assessed risks. An annual list of cases to be audited, based on risk rules and sectors, is drawn up by the General Department for Compliance and published on the website before the commencement of the year, as required by law. This annual list is supplemented by monthly and quarterly lists, also based on risk. In total, these so-called planned audits amount to about 1,150 audits annually (95 for the GDALT) leaving scope for a

¹⁷ Article 146 of the Tax Code allows the establishment of a fiscal post whereby the STS can take control of a taxpayer’s stock and cash registers.

¹⁸ In a review of audit activities for 2021 (P6-19-4 in the evidence file), for example, the compliance work in the territorial offices is included in the total of 36,401 audits for the year.

reserve of about 6,000 audits (including 442 for the GDALT) 'that are mandatory for execution (VAT refund, excise duty, insolvency, liquidation, subsidy)'.¹⁹ While some risk screening is applied in selecting these unplanned audits, they are largely prompted by external drivers (VAT refunds, subsidy payments, etc.) and not centrally selected on the basis of assessed risks. This process is likely to change - as of January 2022, based on Order no. 141 of November 30, 2021 of the Ministry of Finance, all audits except operative controls are to be centrally selected. From field observation by the assessment team, this instruction has not yet been put into effect.

The impact of audits on taxpayer compliance is not routinely measured or evaluated. Reports for 2019 and 2020 consider the *efficiency* of the various audit-type interventions. These reports focus on the use of time rather than compliance impact. Two large reports on all audit activities in 2021 (including 'voluntary compliance' actions and cash register checks) are concerned more with outputs from the various territorial offices, than with impacts on taxpayer compliance.

Most audit procedures are codified in law and a comprehensive audit manual is regularly updated. Chapter 11 of the Tax Code describes the various types of audits and prescribes audit procedures, including a time limit for audits and procedures for drawing up the tax audit act (audit report for the taxpayer) on conclusion of the audit. Additional guidance for auditors is contained in the comprehensive audit manual that is available on the intranet. The manual includes detailed guidance on how to plan and perform an audit, keep working papers and draw up the tax audit act. There are sections devoted to key economic sectors, such as agriculture, transport, IT, and construction; and to specific themes such as VAT refund audits and liquidations. The manual is frequently updated.

An audit quality review system, similar to the requirement for an A score in P6-19-3, was introduced in 2020. A specialist unit in the General Directorate of Compliance randomly selects completed audits (comprehensive only) for quality review. There are three levels of quality review – i) by the head of the audit unit; ii) by the deputy head of the audit directorate; and iii) by the reviewer in the General Directorate of Compliance. A standard checklist of eleven criteria (dealing with planning, execution, and reporting of the audit) is used at each level and the findings are summarized and presented to senior management quarterly. Errors identified are followed up with written instructions to the audit department, and with training, where training needs are detected.

The Tax Control Plan 2022 contains no key performance indicators (KPIs), and the execution of the plan is not actively monitored against KPIs. The audit plan does not set out expectations for audit yield, strike rate, timeliness, etc., so these metrics cannot be actively or routinely monitored. At the end of each quarter, gross data on all audit and compliance interventions are gathered on Form 4-SF. These data are analyzed, and some management reports are drawn up showing audits concluded by audit type and by audit division, percentages with results, numbers completed per inspector, and other metrics. Just two such reports were produced to the TADAT assessment team – the more recent

¹⁹ Tax Audit Planning Strategy – Tax Control Plan 2022.

for the year 2021 is dated April 19, 2022. No evidence was produced of any more recent reports, and there was no evidence of management information from the audit case management system.

The STS produces a number of strategy documents for audit (usually annually), but they do not constitute an operational plan with key performance indicators. A document entitled Tax Audit Planning Strategy – Tax Control Plan 2022 (Annex no. 1 of STS Order no. 602 of December 2021) is closest to what would generally be recognized as an operational plan for audit. The document estimates the numbers of audits likely to be performed in 2022 on the basis of the staffing complement, the numbers completed by the third quarter of 2021, and staff estimates of the number of operative controls that can be performed monthly.

P6-20: Use of large-scale data-matching systems to detect inaccurate reporting.

For this indicator, one measurement dimension provides an indication of the extent to which the tax administration leverages technology to screen large numbers of taxpayer records against third-party information to detect discrepancies and encourage correct reporting. Assessed scores are shown in Table 21 followed by an explanation of reasons underlying the assessment.

Table 21. P6-20 Assessment

Measurement dimension	Scoring Method	Score 2022
P6-20. The extent of large-scale automated crosschecking to verify information reported in tax declarations.	M1	D

Weaknesses in the STS IT system and lack of interoperability with the systems of other agencies present difficulties for the automated crosschecking of data. No evidence was produced of large-scale automated crosschecking of bulk data against tax declarations. One example given was the form POLMED17, a monthly form filed with the STS, to levy a tax on environmental pollutants, such as plastic or aluminum packaging. These forms are matched against customs data using a Business Intelligence query, but the process cannot be said to be automated or large-scale.

P6-21: Initiatives undertaken to encourage accurate reporting

This indicator assesses the nature and scope of cooperative compliance and other proactive initiatives undertaken to encourage accurate reporting. Assessed scores are shown in Table 22 followed by an explanation of reasons underlying the assessment.

Table 22. P6-21 Assessment

Measurement dimension	Scoring Method	Score 2022
P6-21. The nature and scope of proactive initiatives undertaken to encourage accurate reporting.	M1	B

The STS website contains a robust database of binding public rulings. The Generalized Basis of Tax Practice is a large database of binding rulings which provide certainty to taxpayers on how the STS will apply the law. The database is structured in line with the Tax Code, and the information is set out in a question-and-answer format. It is easily searchable by topic or keyword and is updated frequently to reflect changes in the law, as well as questions asked by taxpayers.

The law provides for binding private rulings, but these are seldom requested, and there are no cooperative compliance arrangements. Article 136¹ of the Tax Code provides for individual advance tax rulings, for a fee (60,000MDL for a large taxpayer; 30,000MDL for others). STS report that these rulings are not sought - only one such ruling has ever been issued. There is no demand either for cooperative compliance arrangements.

P6-22: Monitoring the tax gap to assess inaccuracy of reporting levels

This indicator examines the soundness of methods used by the tax administration to monitor the extent of inaccurate reporting in declarations. The assessed score is shown in Table 23 followed by an explanation of reasons underlying the assessment.

Table 23. P6-22 Assessment

Measurement dimensions	Scoring Method	Score 2022
P6-22. The soundness of tax gap analysis method/s used by the tax administration to monitor the extent of inaccurate reporting.	M1	C

STS is developing skills in the estimation of the tax compliance gap but have not yet incorporated tax gap results into their compliance planning. An FAD RA-GAP assessment conducted in 2021 suggested that trade, transport, construction, and manufacturing make the largest contributions to the potential VAT gap. These recent findings have not yet been incorporated into the STS compliance planning. STS staff have, however, been trained in the RA-GAP methodology and have done further sectoral VAT gap analyses using the IMF methodology. It is intended to repeat the assessment to further identify risk sectors.

G. POA 7: Effective Tax Dispute Resolution

This POA deals with the process by which a taxpayer seeks an independent review, on grounds of facts or interpretation of the law, of a tax assessment resulting from an audit. Above all, a tax dispute process must safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing. The process should be based on a legal framework, be known and understood by taxpayers, be easily accessible, guarantee transparent independent decision-making, and resolve disputed matters in a timely manner.

Three performance indicators are used to assess POA 7:

- P7-23—Existence of an independent, workable, and graduated dispute resolution process.

- P7-24—Time taken to resolve disputes.
- P7-25—Degree to which dispute outcomes are acted upon.

P7-23: Existence of an independent, workable, and graduated resolution process

For this indicator three measurement dimensions assess: (1) the extent to which a dispute may be escalated to an independent external tribunal or court where a taxpayer is dissatisfied with the result of the tax administration's review process; (2) the extent to which the tax administration's review process is truly independent; and (3) the extent to which taxpayers are informed of their rights and avenues of review. Assessed scores are shown in Table 24 followed by an explanation of reasons underlying the assessment.

Table 24. P7-23 Assessment

Measurement dimensions	Scoring Method	Score 2022
P7-23-1. The extent to which an appropriately graduated mechanism of administrative and judicial review is available to, and used by, taxpayers.	M2	A
P7-23-2. Whether the administrative review mechanism is independent of the audit process.		A
P7-23-3. Whether information on the dispute process is published, and whether taxpayers are explicitly made aware of it.		A

There is a three-stage review and appeal process to deal with tax disputes and it is used by taxpayers. In the first stage, a taxpayer's appeal is considered by the Appeals Department of the STS or the Disputes Resolution Council.²⁰ In the second stage, the dispute is considered by a court. A third stage appeal is also available where the disputed tax liability is submitted to the Court of Appeal.

The STS review mechanism is located in the Appeals Department, which is physically and organizationally separate from, and independent of, the audit divisions. In the STS organizational structure, the Appeals Department and the audit divisions are under the supervision of different STS deputy directors and are located on different floors in the HQ building. Physical access to the Appeals Department's floor is highly restricted.

Taxpayers are made aware of their dispute rights and dispute resolution processes through a number of channels. Information regarding dispute rights is available at the STS website, and in all STS documents concerning taxpayers' liabilities which might be disputed by a taxpayer. STS officials

²⁰ A taxpayer may ask for a tax dispute to be referred to the Disputes Resolution Council which comprises business representatives and tax officials in cases where the disputed amount exceeds 500,000 MDL in the case of legal entities, or 250,000 MDL in the case of individuals.

have written instructions requiring them to inform taxpayers about their dispute rights and they are aware of the consequences of a failure to inform a taxpayer about those rights. Where such a failure occurs, the normal time limits for disputing a tax liability do not apply and a taxpayer has a separate right under administrative law to dispute the liability within one calendar year.

P7-24: Time taken to resolve disputes

This indicator assesses how responsive the tax administration is in completing administrative reviews. Assessed scores are shown in Table 25 followed by an explanation of reasons underlying the assessment.

Table 25. P7-24 Assessment

Measurement dimensions	Scoring Method	Score 2022
P7-24. The time taken to complete administrative reviews.	M1	B

More than 90 percent of administrative review cases were completed by STS within 60 days. An A-score can only be assigned when more than 90 percent of administrative review cases are completed within 30 days. Section 270 of the Tax Code provides that administrative reviews should be completed within 30 days, but the section also permits STS to extend that the period for completion of review of cases to 60 days. On that basis, it is accepted that the time limit for completion of cases is effectively 60 days. It should also be noted that STS finalizes 80.8 percent of cases within 30 days and the STS case finalization rate for 60 days far exceeds the 90 percent target.

For numerical data see Table 14 in Attachment III.

P7-25: Degree to which dispute outcomes are acted upon

This indicator looks at the extent to which dispute outcomes are taken into account in determining policy, legislation, and administrative procedure. The assessed score is shown in Table 26 followed by an explanation of reasons underlying the assessment.

Table 26. P7-25 Assessment

Measurement dimension	Scoring Method	Score 2022
P7-25. The extent to which the tax administration responds to dispute outcomes.	M1	A

The STS regularly monitors and analyzes dispute outcomes. The Appeals Department prepares monthly reports identifying deficiencies in tax law and practice detected during its examination of tax appeals. Those reports include proposals to strengthen STS procedures and to supplement tax legislation. As part of annual budgetary processes, the Appeals Department submits STS proposals for legislative changes to the Ministry of Finance. STS also examines adverse court decisions and notifies

staff of any consequential changes to be made to the tax law and its administration.

H. POA 8: Efficient Revenue Management

This POA focuses on three key activities performed by tax administrations in relation to revenue management:

- Providing input to government budgeting processes of tax revenue forecasting and tax revenue estimating. (As a general rule, primary responsibility for advising government on tax revenue forecasts and estimates rests with the Ministry of Finance. The tax administration provides data and analytical input to the forecasting and estimating processes. Ministries of Finance often set operational revenue collection targets for the tax administration based on forecasts of revenue for different taxes.)²¹
- Maintaining a system of revenue accounts.
- Paying tax refunds.

Three performance indicators are used to assess POA 8:

- P8-26—Contribution to government tax revenue forecasting process.
- P8-27—Adequacy of the tax revenue accounting system.
- P8-28—Adequacy of tax refund processing.

P8-26: Contribution to government tax revenue forecasting process

This indicator assesses the extent of tax administration input to government tax revenue forecasting and estimating. The assessed score is shown in Table 27 followed by an explanation of reasons underlying the assessment.

Table 27. P8-26 Assessment

Measurement dimensions	Scoring Method	Score 2022
P8-26. The extent of tax administration input to government tax revenue forecasting and estimating.	M1	B

STS has a unit that provides regular input on tax revenue collections to MoF. Annually, STS gathers data on tax revenue collection and economic conditions to provide input to MoF processes for tax revenue forecasting. STS monitors collections against budgeted forecasts and reports findings to MoF monthly, with detailed explanations about any differences by region. Annually, STS forecasts VAT

²¹ It is common for Ministries of Finance to review budget revenue forecasts and related tax collection targets during the fiscal year (particularly mid-year) to take account of changes in forecasting assumptions, especially changes in the macroeconomic environment.

refund levels disaggregated on a monthly basis. STS also monitors and reports on the cost to revenue of numerous tax expenditures annually through the register of tax incentives (e.g., IT parks, Free Economic Zones), where STS submits the information and MoF makes the calculations. However, STS does not monitor the stocks of tax losses or credits/refunds carried forward by taxpayers that may be offset against future tax liabilities, criteria needed for an A score in P8-26.

P8-27: Adequacy of the tax revenue accounting system

This indicator examines the adequacy of the tax revenue accounting system. Assessed scores are shown in Table 28 followed by an explanation of reasons underlying the assessment.

Table 28. P8-27 Assessment

Measurement dimension	Scoring Method	Score 2022
P8-27. Adequacy of the tax administration's revenue accounting system.	M1	D

The tax revenue accounting system is not adequate. The revenue accounting IT system developed in 2012 has been partially improved with the implementation of the Taxpayer Current Account in 2014 and the Treasury Information Management System in 2020, which is interconnected with the information system of the MoF Treasury.²² Still, a manual process of posting payments to the taxpayer's current account occurs and takes longer than the maximum of three business days, a minimum TADAT framework requirement. Internal audits²³ and audits by the Court of Account (CoA) with respect to some aspects of the accounting system have been conducted in recent years. STS is fully aware on the deficiencies of the current accounting system and is engaged in ongoing conversations with significant stakeholders (e.g., Treasury and Central Bank) to develop a modern accounting system that properly supports revenue accountancy and taxpayers' services.

P8-28: Adequacy of tax refund processing

For this indicator, two measurement dimensions assess the tax administration's system of processing VAT refund claims. Assessed scores are shown in Table 29 followed by an explanation of reasons underlying the assessment.

²² In particular, the information about collected revenues is received from the MoF Treasury in an automated manner during the day the payments are made. Then, payments are reflected in taxpayer's current account usually within two working days, but never later than in three working days. Additionally, reflecting the data in the taxpayer's current account from returns submitted by taxpayers takes: i) up to three working days for electronic returns; and ii) more than three working days for paper-based returns.

²³ Evaluation of the system of keeping special records of tax liabilities with a view to making appropriate decisions" (2021); Business evaluation of the process, Taxpayer's Current Account Entry, Assessment of the veracity of the record of tax obligations of non-resident individuals through the Taxpayer's Current Account (2020).

Table 29. P8-28 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P8-28-1. Adequacy of the VAT refund system.	M2	D	D
P8-28-2. The time taken to pay (or offset) VAT refunds.		D	

No risk-based verification system is in place to review VAT refund claims. STS decides within three days whether to perform pre-refund or post-refund verifications. Cases are selected manually. Specifically, a refund can be authorized without audit if certain conditions²⁴ are met, but all VAT refund claimants must be audited at least once a year.²⁵ A prompt refund and post-refund verification is given to low-risk taxpayers according to predetermined risk criteria.²⁶ Sufficient budget funds have been allocated by the MoF to cover all VAT refund in recent years. Off-setting of excess VAT credits against other outstanding tax liabilities is an option for the taxpayer and also required by law before a refund can be made. Although VAT taxpayers are entitled to interest on delayed refunds, the law requires taxpayers to make a claim for interest. No evidence was provided that any claim for interest on delayed refunds had been made.

Over 70 percent of VAT refund claims by number and 62.3 percent by value are processed within 30 calendar days. A VAT refund claim is a two-step process where taxpayers are required to file a separate refund claim once the credit is approved. Then, the approved VAT refund requests are transferred to the MoF for the refund payments. There is a legal deadline of 45 days to process the VAT refund claims. For further details, see Table 15 in Attachment III.

I. POA 9: Accountability and Transparency

Accountability and transparency are central pillars of good governance. Their institutionalization reflects the principle that tax administrations should be answerable for the way they use public resources and exercise authority. To enhance community confidence and trust, tax administrations should be openly accountable for their actions within a framework of responsibility to the minister, government, legislature, and the general public.

²⁴ Risk criteria: (i) the taxable person has been in business for at least 2 years; (ii) the taxable person has received a VAT refund at least twice; (iii) during the last thematic control on VAT refund, the amount of tax for refund, confirmed by the STS, corresponds to the amount claimed by the payer; (iv) during the last tax audit, the amount of taxes, duties, compulsory state social insurance contributions and compulsory health insurance premiums calculated by the STS did not exceed 1percent of the total value of supplies made during the tax periods audited.

²⁵ Government Decision No. 93 of 2013 - Regulation on the refund of VAT.

²⁶ STS advised that around 75 percent of refund claims by large taxpayers and around 10 percent of refund claims by rest of taxpayer get a prompt refund with no pre-refund audit. STS advised that average time taken to perform the pre-refund audits is 5 days.

Four performance indicators are used to assess POA 9:

- P9-29—Internal assurance mechanisms.
- P9-30—External oversight of the tax administration.
- P9-31—Public perception of integrity.
- P9-32—Publication of activities, results, and plans.

P9-29: Internal assurance mechanisms

For this indicator, two measurement dimensions assess the internal assurance mechanisms in place to protect the tax administration from loss, error, and fraud. Assessed scores are shown in Table 30 followed by an explanation of reasons underlying the assessment.

Table 30. P9-29 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P9-29-1. Assurance provided by internal audit.	M2	C	B
P9-29-2. Staff integrity assurance mechanisms.		A	

An independent internal audit unit is in place, but system-generated surveillance tools are not widely used to detect incidents that threaten the confidentiality and integrity of STS data. STS has an organizationally independent Internal Audit (IA) function, reporting to the head of STS. Additionally, it reports to an IA committee created in 2018, comprising the STS Director and three Deputy Directors. There are strategic plans for IA (current 2022-2024) and annual audit plans comprising internal control checks, financial audits, performance audits, and IT systems audits. Since 2018, IA carries out at least one audit of IT operations each year. The certification of internal auditors is carried out by a specialized Commission²⁷ under the Ministry of Finance. Of the five IA staff, three are included in the Register of Certified Public Sector Internal Auditors, that requires annual validation by the MoF.

Internal Auditors receive regular training in audit methodologies and must report to the Ministry of Finance on training received to maintain their qualifications. IA staff training planning is included in IA Audit Strategic Plan, and Annual Plan. Internal control policies and procedures are documented on the intranet and on the STS website. The operations and systems of the IA unit are independently reviewed by the MoF at least once every five years (the last review was in 2020). Audit trails of user access and changes to taxpayer data are in place, however system-generated surveillance tools to detect incidents that threaten the confidentiality and integrity of STS data are not widely used.

²⁷ Government Decision No 556/2019. Regulation on the acquisition, confirmation, and development of professional qualification in the field of internal audit in the public sector for the certification of internal auditors in the public sector.

Staff integrity assurance mechanisms are in place. STS has implemented a code of conduct²⁸ that is read and signed by all staff. STS has an organizationally independent integrity assurance function, the Internal Security and Anticorruption Unit (ISAU), reporting directly to the head of STS. This unit has currently four staff and is devoted solely to internal affairs. ISAU has appropriate powers, exercises them with due process, and cooperates with relevant enforcement agencies (e.g., National Anti-corruption Agency). Statistical data on integrity are maintained and quarterly published in the STS website (e.g., complaints (through all channels telephone, mail, email) on illicit behavior committed by STS officials, how the ISAU reacted to these complaints and the results of the investigations (e.g., convictions, referral to relevant enforcement agencies, etc.).

P9-30: External oversight of the tax administration

Two measurement dimensions of this indicator assess: (1) the extent of independent external oversight of the tax administration's operations and financial performance; and (2) the investigation process for suspected wrongdoing and maladministration. Assessed scores are shown in Table 31 followed by an explanation of reasons underlying the assessment.

Table 31. P9-30 Assessment

Measurement dimensions	Scoring Method	Score 2022
P9-30-1. The extent of independent external oversight of the tax administration's operations and financial performance.	M2	A
P9-30-2. The investigation process for suspected wrongdoing and maladministration.		D
		C+

There is an annual audit of the financial and operational performance of the STS by an external review body. A public external audit institution—the Court of Accounts (CoA), annually audits the financial and operational performance of the STS. The reports with recommendations and the responses to the CoA's findings are published on the STS website.²⁹

No external authority investigates complaints from taxpayers about treatment by the STS. An Ombudsman or "Peoples' Advocate" in Moldova with competence to investigate alleged breaches of rights or freedoms across state bodies, focuses on observance of human rights and children's rights. An anti-corruption agency coordinates and monitors integrity-related policies for public institutions, including the STS.³⁰ The anticorruption prosecutor investigates the most serious cases of alleged corrupt conduct of tax officials. No evidence was presented to the assessment team of any investigation by the Ombudsman or equivalent authority of taxpayer complaints about treatment received from STS.

²⁸ The Code of Conduct was developed in 2018 and updated in 2022.

²⁹ Eight reports in 2022, 11 reports in 2021.

³⁰ STS's Sectoral Anti-Corruption and Integrity Action Plan.

P9-31: Public perception of integrity

This indicator examines measures taken to gauge public confidence in the tax administration.

The assessed score is shown in Table 32 followed by an explanation of reasons underlying the assessment.

Table 32. P9-31 Assessment

Measurement dimension	Scoring Method	Score 2022
P9-31. The mechanism for monitoring public confidence in the tax administration.	M1	C

A mechanism for monitoring public confidence is in place; an independent survey was conducted in 2018. As a part of the World Bank–financed TAMP an independent third party—an internationally recognized market and social research company—conducted a survey of 1,026 individuals and 549 legal entities - a statistically valid sample, to monitor public confidence in STS. The survey comprised 26-32 questions, including some integrity related questions.³¹ Data were collected during November-December 2018 and the results were published on the STS website within six months of completion, in May 2019. As a result, a Taxpayer Satisfaction Improvement Plan for 2019-2020 was developed and improvements were made. The survey is planned to be repeated during 2022 (public procurement is being conducted). This allows the assessment team to conclude that a criterion for assigning P9-31 with a score C (survey in every four years) has been met. While the STS also conducted an online survey during September-October 2021, it does not qualify for TADAT scoring due to the small sample – only 132 responders.

P9-32: Publication of activities, results, and plans

Two measurement dimensions of this indicator assess the extent of: (1) public reporting of financial and operational performance; and (2) publication of future directions and plans.

Assessed scores are shown in Table 33 followed by an explanation of reasons underlying the assessment.

³¹ For example, question 6: To what extent do you agree or disagree with these statements? STS employees are generally honest and do the right thing, without the need for gifts or bribes; It happened that the STS employee hinted to me to pay him for any service; I offered gifts to solve my problem.

Table 33. P9-32 Assessment

Measurement dimensions	Scoring Method	Score 2022	
P9-32-1. The extent to which the financial and operational performance of the tax administration is made public, and the timeliness of publication.	M2	A	B
P9-32-2. The extent to which the tax administration's future directions and plans are made public, and the timeliness of publication.		C	

Annual reports are published within six months of the end of the fiscal year. Annual reports outlining the financial (revenues) and operational performance of STS are consistently published on the STS website within six months of the end of the fiscal year.³² Further detailed financial information on STS budget execution is included in STS Government Data Catalog (Chapter XIII) and is published three months after the reporting period.³³

Some plans are made public within three months after the commencement of the periods covered, but some were published with a longer delay. For example, the STS Strategic Plan 2021-2023 was published in July 2021. For the last three years, some annual plans³⁴ were made public on the website within two months of the annual periods covered, while the last annual plan (for 2022) was published in May 2022 – longer than the three-month period required for a score higher than C under the TADAT framework.

³² 2018 annual report published on February 2019; 2019 annual report published in February 2020; 2020 annual report published in January 2021; and 2021 annual report published in May 2022.

³³ e.g., period January – June 2022 was published in August 2022.

³⁴ Activity plan of the State Tax Service for 2021 was published in February 2021; Priorities of State Tax Service for 2020 were published in February 2020.

Attachment I. TADAT Framework

Performance outcome areas

TADAT assesses the performance of a country's tax administration system by reference to nine outcome areas:

1. **Integrity of the registered taxpayer base:** Registration of taxpayers and maintenance of a complete and accurate taxpayer database is fundamental to effective tax administration.
2. **Effective risk management:** Performance improves when risks to revenue and tax administration operations are identified and systematically managed.
3. **Supporting voluntary compliance:**
Usually, most taxpayers will meet their tax obligations if they are given the necessary information and support to enable them to comply voluntarily.
4. **On-time filing of declarations:** Timely filing is essential because the filing of a tax declaration is a principal means by which a taxpayer's tax liability is established and becomes due and payable.
5. **On-time payment of taxes:** Non-payment and late payment of taxes can have a detrimental effect on government budgets and cash management. Collection of tax arrears is costly and time consuming.
6. **Accurate reporting in declarations:** Tax systems rely heavily on complete and accurate reporting of information in tax declarations. Audit and other verification activities, and proactive initiatives of taxpayer assistance, promote accurate reporting and mitigate tax fraud.
7. **Effective Tax Dispute Resolution:** Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and get a fair hearing in a timely manner.
8. **Efficient revenue management:** Tax revenue collections must be fully accounted for, monitored against budget expectations, and analyzed to inform government revenue forecasting. Legitimate tax refunds to individuals and businesses must be paid promptly.
9. **Accountability and transparency:** As public institutions, tax administrations are answerable for the way they use public resources and exercise authority. Community confidence and trust are enhanced when there is open accountability for administrative actions within a framework of responsibility to the minister, legislature, and general community.



Indicators and associated measurement dimensions

A set of 32 high-level indicators critical to tax administration performance are linked to the performance outcome areas. It is these indicators that are scored and reported on. A total of 55 measurement dimensions are taken into account in arriving at the indicator scores. Each indicator has between one and five measurement dimensions.

Repeated assessments will provide information on the extent to which a country's tax administration is improving.

Scoring methodology

The assessment of indicators follows the same approach followed in the Public Expenditure and Financial Accountability (PEFA) diagnostic tool so as to aid comparability where both tools are used.

Each of TADAT's 55 measurement dimensions is assessed separately. The overall score for an indicator is based on the assessment of the individual dimensions of the indicator. Combining the scores for dimensions into an overall score for an indicator is done using one of two methods: Method 1 (M1) or Method 2 (M2). For both M1 and M2, the four-point 'ABCD' scale is used to score each dimension and indicator.

Method M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator (in other words, by the weakest link in the connected dimensions of the indicator).

Method M2 is based on averaging the scores for individual dimensions of an indicator. It is used for selected multi-dimensional indicators where a low score on one dimension of the indicator does not necessarily undermine the impact of higher scores on other dimensions for the same indicator.

Attachment II. Republic of Moldova: Country Snapshot

Geography	The Republic of Moldova is a small, landlocked country in Eastern Europe, covering a territory of 33,851 sq. km. It is bounded to the west by Romania, a European Union Member State, and to the North, East and South by Ukraine. The capital Chisinau is the largest city.
Population	Usual resident population, as of January 1, 2022 - 2,603,813 (http://www.statistica.md)
Adult literacy rate	99.4 percent of persons aged 15 and over can read and write. (Source: www.cia.gov).
Gross Domestic Product	GDP, April 2022, current prices: USD 13.81 billion USD. (Source: IMF Republic of Moldova and the IMF).
Per capita GDP	USD 5.44 thousand, April 2022 current prices (Source: IMF Republic of Moldova and the IMF)
Main industries	Sugar, vegetable oil, food processing, agricultural machinery, foundry equipment, household appliances, hosiery, shoes and textiles. The main agricultural products are vegetables, fruits, grain, sugar beet, sunflower seeds, tobacco, beef, milk, and wine. (Source: CIA World Factbook).
Communications	Internet users per 100 people (2017): 76 (Source: Moldova Data (worldbank.org))
Main taxes	VAT, Social Contributions and Health Contributions together accounted for 63 percent of all central government revenues in 2020; the other main taxes are Excises, CIT, and PIT. (Source: IMF Country Report 2022/01, January 4, 2022).
Tax-to-GDP	For 2021 tax to GDP was 29.2 percent, of which the main contributors are VAT (10.5 percent of GDP) and Social & Health Contributions (9.2 percent of GDP). (Attachment III Table 1)
Number of taxpayers	As at end-2021—CIT: 135,073; PIT: 150,610; PAYE: 96,130; VAT: 30,775; and domestic excise tax: 150. See details in Attachment III Table 2
Main collection agency	State Tax Service http://www.sfs.md (Moldova Customs Administration collects VAT, Excises and Customs duties on imports).
Number of staff in the main collection agency	Number of staff in the main collection agency 1,931 (Source: State Tax Service).
Financial Year	Calendar year

Attachment III. Data Tables

A. Tax Revenue Collections

Table 1. Tax Revenue Collections, 2019-21			
	2019	2020	2021
Million MDL			
National budgeted tax revenue forecast² (administered by STS)	39 063.2	39 267.9	45 800.0
Total tax revenue collections. including	57 812.4	58 510.4	70 702.1
Tax revenue collections — administered by STS	39 135.1	40 517.5	47 285.4
Tax revenue collections — administered by CS (VAT + Excises)	21 147.5	20 824.0	26 346.0
Social insurance contributions — administered by NSIH	387.9	54.2	47.9
Health insurance contributions — administered by NHIC	135.5	148.5	143.8
VAT and Excises refunds — administered by MF	-2 930.8	-2 968.7	-3 051.2
Corporate income tax (CIT)	5 266.0	5 030.4	5 905.4
Personal income tax (PIT)	4 132.0	4 323.5	5 307.7
PIT refunds. percentage tax designation — administered by MF	-62.8	-65.2	-69.9
Value Added Tax (VAT) — gross domestic collections	7 633.5	7 813.3	8 918.3
Value Added Tax (VAT) — collected on imports	15 454.4	14 914.2	19 614.6
Value Added Tax (VAT) — refunds approved and paid	-2 904.6	-2 957.3	-3 024.2
Excises on domestic transactions	555.0	570.9	903.8
Excises—collected on imports	5 693.1	5 909.8	6 731.5
Excises — refunds approved and paid	-26.2	-11.4	-27.0
Social insurance contributions (administered by STS and NSIH)	13 791.3	14 516.2	16 522.2
Health insurance contributions (administered by STS and NHIC)	4 822.7	5 008.8	5 705.0
Other domestic taxes ³ :			
- property taxes	579.9	582.3	750.2
- road taxes	948.0	969.0	996.9
- fees on natural resources	44.1	46.0	55.3
- other taxes	1 886.0	1 860.0	2 412.3
In percent of total tax revenue collections			
Total tax revenue collections	100.0	100.0	100.0
CIT	9.1	8.6	8.4
PIT	7.0	7.3	7.4
Value Added Tax (VAT)	34.9	33.8	36.1
Excises	10.8	11.1	10.8
Social insurance contributions	23.9	24.8	23.4
Health insurance contributions	8.3	8.6	8.1
Other domestic taxes ³ :			
- property taxes	1.0	1.0	1.1
- road taxes	1.6	1.7	1.4

- fees on natural resources	0.1	0.1	0.1
- other taxes	3.3	3.2	3.4
In percent of GDP			
Total tax revenue collections	27.5	29.3	29.2
CIT	2.5	2.5	2.4
PIT	1.9	2.1	2.2
Value Added Tax (VAT)	9.6	9.9	10.5
Excises	3.0	3.2	3.1
Social insurance contributions	6.6	7.3	6.8
Health insurance contributions	2.3	2.5	2.4
Other domestic taxes ³ :			
- property taxes	0.3	0.3	0.3
- road taxes	0.5	0.5	0.4
- fees on natural resources	0.0	0.0	0.0
- other taxes	0.9	0.9	1.0

Note from the STS on how the table was filled in.

Following the meetings held with TADAT experts, additionally this table includes revenues administered by Customs Service, National Social Insurance House and National Health Insurance Company, thus:

*Row **total tax collections** includes collections administered by STS, collections administered by CS (only VAT + Excises), Social insurance contributions administered by NSIH and health insurance contributions administered by NHIC*

*Row **Tax revenue collections — administered by STS** includes collections to the National Public Budget that are administered by STS*

*Row **Tax revenue collections — administered by CS (VAT + Excises)** includes VAT and Excises administered by CS (information posted on [customs.md](#))*

*Row **Social insurance contributions — administered by NSIH** includes social insurance contributions as per the Ministry of Finance report (information posted on [mf.gov.md](#)) minus amounts administered by STS*

*Row **health insurance contributions — administered by the NHIC** includes health insurance contributions administered by NHIC as per Ministry of Finance report (information [mf.gov.md](#)) minus amounts administered by STS*

Corporate income tax (CIT) – includes amounts collected under budget classifications 111210 -111240

Personal income tax (PIT) includes amounts collected under budget classifications 111110 -111130, 111261 and 111262

B. Movements in the Taxpayer Register

Table 2. Movements in the Taxpayer Register 2019-21

(Ref: POA1)

	Registered taxpayers¹ [A]	Taxpayers otherwise not required to file² [B]	Taxpayers Expected to File [C] = [(A) – (B)]³	Memorandum items⁴ [D]	
				New Registrations [D1]	Taxpayers deregistered during year [D2]
[2019]					
Corporate income tax	134 267	49 742	84 525	5 846	6 704
Personal income tax	176 461	128 861	47 600	2 242	33 135
PAYE withholding (# of employers)	116 734	28 828	87 906	6 692	17 968
Value Added Tax	28 243	0	28 243	1 960	1 845
Domestic excise tax⁵	167	0	167	2	36
Other taxpayers (public institutions)	3 434	3 434	0	33	142
Total	314 162	182 037	132 125	8 121	39 981
[2020]					
Corporate income tax	133 799	48 652	85 147	6 123	6 590
Personal income tax	160 654	111 500	49 154	1 886	17 695
PAYE withholding (# of employers)	114 085	37 171	76 914	7 017	14 350
Value Added Tax	29 428	0	29 428	1 974	717
Domestic excise tax⁵	151	0	151	5	3
Other taxpayers	3.400	3.400	0	22	56
Total	297 853	163 552	134 301	8 031	24 341
[2021]					
Corporate income tax	135 073	48 152	86 921	6 878	5 604
Personal income tax	150 610	119 884	30 726	1 945	11 985
PAYE withholding (# of employers)	96 130	31 395	64 735	7 744	12 141
Value Added Tax	30 775	0	30 775	2 313	1 113
Domestic excise tax⁵	150	0	150	11	5
Other taxpayers	3 399	3 399	0	47	48
Total	289 082	171 435	117 647	8 870	17 637

Explanatory Notes:

¹ A registered taxpayer who is in the tax administration's taxpayer database.

² Taxpayers not required to file declarations' means taxpayers who are registered but are currently not required to file by law or regulation and are explicitly flagged in the automated tax administration system.

³ Expected filing calculations to be used in Indicator P4-12.

⁴ Taxpayer register activity information.

⁵ For purposes of a TADAT assessment, the focus is on those registered domestic excise taxpayers who trade in goods/services that contribute 70 percent of the total domestic excise revenue by value.

Note from the STS on how the table was filled in.

Row Corporate income tax includes the total number of taxpayers according to the State Tax Register (selected by the Public Institution Center of Information Technology in Finance for all organizational-legal forms except for codes 420. 450. 980. 990. AIF and APF

Row Personal income tax includes the number of taxpayers according to the State Tax Register for organizational-legal forms 420. 450. 980. 990. AIF and APF

Following discussions with TADAT experts, we excluded GT taxpayers who did not file a declaration for 2021, as per art.83 paragraph (9) of the Tax Code, from the number of active taxpayers (IVP); a peasant farm that did not have employees and did not obtain taxable income during the tax period, is exempted from the obligation to submit the income tax declaration (selected by IP CTIF)

Rows Value Added Tax and Domestic Excise tax show the number of VAT payers and excises payers as of 31.12.XX selected from the Information Automated System Tax Reports

The number of employers (total) and inactive employers is indicated according to conditions specified in selection rules.

C. Telephone Enquiries

(Ref: POA 3)

Table 3. Telephone Enquiry Call Waiting Time (for the period July 2021 - June 2022)			
Month	Total number of telephone enquiry calls received	Telephone enquiry calls answered within 6 minutes' waiting time	
		Number	In percent of total calls
July 2021	9 139	9 067	99.2
August 2021	7 493	7 437	99.3
September 2021	9 360	9 269	99.0
October 2021	8 326	8 246	99.0
November 2021	12 196	11 967	98.1
December 2021	15 812	15 509	98.1
January 2022	14 329	14 093	98.4
February 2022	12 593	12 390	98.4
March 2022	13 001	12 792	98.4
April 2022	10 482	10 257	97.9
May 2022	10 640	10 336	97.1
June 2022	13 926	12 923	98.8
12-month total	137 297	134 286	97.8

D. Filing of Tax Declarations

(Ref: POA 4)

Table 4. On-time Filing of CIT Declarations for 2021

	Number of declarations filed on-time¹	Number of declarations expected to be filed²	On-time filing rate³ (In percent)
All CIT taxpayers	70 474	86 921	81.1
Large taxpayers only	534	547	97.6

Explanatory notes:

¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of CIT declarations that the tax administration expected to receive from registered CIT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers. i.e. expressed as a ratio:

$$\frac{\text{Number of CIT declarations filed by the due date}}{\text{Number of declarations expected from registered CIT taxpayers}} \times 100$$

Note from the STS on how the table was filled in:

Column **Number of declarations filed on time** includes the total number of VEN12/SIMM20/NER17/ONG17 declarations filed by the statutory due date, except for the SIMM20 and VEN12 declarations filed on time by GT and II (information selected by PI CITF).

Column **Number of CIT declarations expected** to be filed includes the number of active taxpayers (CIT) from Table 2 except for public institutions (selected by PI CITF).

Number of declarations expected from large taxpayers includes the number of large taxpayers as per the LTO list, except for 13 taxpayers (3 public institutions: Public Services Agency, CITF and National Bank of Moldova, 5 liquidated taxpayers, 5 IT residents).

Table 5. On-time Filing of PIT Declarations for 2021

Number of declarations filed on-time¹	Number of declarations expected to be filed²	On-time filing rate³ (In percent)
25 902	30 726	84.3

Explanatory notes:

¹ 'On-time' filing means declarations (also known as 'returns') filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of PIT declarations that the tax administration expected to receive from registered PIT taxpayers that were required by law to file declarations.

³ The 'on-time filing rate' is the number of declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered taxpayers. i.e. expressed as a ratio:

$$\frac{\text{Number of PIT declarations filed by the due date}}{\text{Number of PIT declarations expected from active PIT taxpayers}} \times 100$$

Note from the STS on how the table was filled in:

Column Number of declarations filed on time includes UNIF18/DAJ17/DASS19/AI17 declarations for the year 2021 filed on time At the same time, the number of SIMM20 and VEN12 declarations submitted on time by GT and II (info selected by IP CTIF) was included.

Column Number of PIT declarations expected to be filed includes the number of active taxpayers (PIT) from Table 2. but, following discussions with TADAT experts, excludes GT taxpayers who did not file a declaration for 2021 in accordance with article 83 paragraph (9) of the Tax Code; a peasant farm that did not have employees and did not obtain taxable income during the tax period. is exempted from the obligation to submit the income tax declaration)(selected by IP CTIF).

Table 6. On-time Filing of VAT Returns Declarations —All VAT taxpayers (for the period July 2021 - June 2022)			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2021	28 197	30 153	93.5
August 2021	28 489	30 258	94.2
September 2021	28 492	30 376	93.8
October 2021	28 719	30 518	94.1
November 2021	28 866	30 650	94.2
December 2021	29 040	30 767	94.4
January 2022	28 983	31 158	93.0
February 2022	29 230	31 317	93.3
March 2022	29 446	31 478	93.5
April 2022	29 649	31 613	93.8
May 2022	29 960	31 708	94.5
June 2022	29 947	31 794	94.2
12-month total	177 215	189 068	93.7
<p>Explanatory notes:</p> <p>¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p>² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from registered VAT taxpayers that were required by law to file declarations.</p> <p>³ The 'on-time filing rate' is the number of VAT declarations filed by the statutory due date as a percentage of the total number of declarations expected from registered VAT taxpayers. i.e., expressed as a ratio:</p> $\frac{\text{Number of VAT declarations filed by the due date}}{\text{Number of declarations expected from registered VAT taxpayers}} \times 100$ <p><u>Note from the STS on how the table was filled in:</u></p> <p>Column Number of declarations filed on time includes the number of declarations filed by the statutory due date, with the exception of 2821 VAT declarations filed by non-VAT taxpayers (selected by PI CITF).</p> <p>Column Number of declarations expected to be filed reflects the total number of VAT taxpayers at the beginning of each month (selected by PI CITF).</p>			

Table 7. On-time Filing of VAT Declarations — Large taxpayers only (for the period July 2021 - June 2022)			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2021	535	546	98.0
August 2021	532	545	97.6
September 2021	538	545	98.7
October 2021	531	545	97.4
November 2021	534	544	98.2
December 2021	533	543	98.2
January 2022	533	543	98.2
February 2022	535	541	98.9
March 2022	536	541	99.1
April 2022	529	541	97.8
May 2022	536	541	99.1
June 2022	533	541	98.5
12-month total	3202	3248	98.6

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of VAT declarations that the tax administration expected to receive from large taxpayers that were required by law to file VAT declarations.

³ The 'on-time filing rate' is the number of VAT declarations filed by large taxpayers by the statutory due date as a percentage of the total number of VAT declarations expected from large taxpayers. i.e., expressed as a ratio:

$$\frac{\text{Number of VAT declarations filed by the due date by large taxpayers}}{\text{Number of VAT declarations expected from large taxpayers}} \times 100$$

Note from the STS on how the table was filled in:

Column **Number of declarations filed on time** includes the number of declarations filed by large taxpayers by the statutory due date. with the exception of 55 VAT declarations filed by large taxpayers - non-VAT payers.

Column **Number of declarations expected to be filed** includes the number of large taxpayers - VAT payers at the beginning of each month.

Table 8. On-time Filing of Domestic Excise Tax Declarations [for those excise tax goods/services categories contributing, by value, 70 percent of total domestic excise tax] (for the period July 2021 - June 2022)			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2021	124	146	84.9
August 2021	126	146	86.3
September 2021	127	146	87.0
October 2021	123	147	83.7
November 2021	131	148	88.5
December 2021	122	148	82.4
January 2022	125	151	82.8
February 2022	120	150	80.0
March 2022	123	151	81.5
April 2022	129	153	84.3
May 2022	127	153	83.0
June 2022	129	153	84.3
12-month total	1506	1792	84.0

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy) by registered domestic excise tax taxpayers who contribute up to 70 percent, by value, of the total domestic excise tax revenue.

² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from registered domestic excise tax taxpayers (the focus is on those registered domestic excise taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value) that are required by law to file excise tax declarations.

³ The 'on-time filing rate' is the number of excise tax declarations filed by taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from registered domestic excise tax taxpayers who trade in the categories of goods/services that contribute 70 percent of the total domestic excise revenue by value, i.e. expressed as a ratio:

$$\frac{\text{Number of domestic excise tax declarations filed by the due date}}{\text{No. of domestic excise tax declarations expected from registered domestic excise tax taxpayers}} \times 100$$

Note from the STS on how the table was filled in:

Column **Number of declarations filed on time** includes the number of declarations filed by the statutory due date.

Column **Number of declarations expected to be filed** includes the total number of taxpayers – authorized warehouse keepers at the beginning of each month.

**Table 9. On-time Filing of Domestic Excise Tax Declarations—Large taxpayers only
(for the period July 2021 - June 2022)**

Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2021	22	27	81.5
August 2021	22	27	81.5
September 2021	22	27	81.5
October 2021	23	27	85.2
November 2021	22	27	81.5
December 2021	24	27	88.9
January 2022	27	27	100.0
February 2022	27	27	100.0
March 2022	27	27	100.0
April 2022	27	27	100.0
May 2022	27	27	100.0
June 2022	26	27	96.3
12-month total	296	324	91.4

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy) by large taxpayers registered for domestic excise tax.

² 'Expected declarations' means the number of excise tax declarations that the tax administration expected to receive from ALL large taxpayers registered for domestic excise tax and are required by law to file excise tax declarations.

³ The 'on-time filing rate' is the number of excise tax declarations filed by large taxpayers by the statutory due date as a percentage of the total number of excise duties declarations expected from large taxpayers registered for domestic excise tax taxpayers. i.e., expressed as a ratio:

$$\frac{\text{Number of domestic excise tax declarations from large taxpayers filed by the due date}}{\text{No. of domestic excise tax declarations expected from active large taxpayers registered for domestic excise tax}} \times 100$$

Note from the STS on how the table was filled in:

Column **Number of declarations filed on time** includes the number of declarations filed by the statutory due date.

Column **Number of declarations expected to be filed** includes the total number of taxpayers – authorized warehouse keepers at the beginning of each month.

Table 10. On-time Filing of PAYE Withholding Declarations (filed by employers) (for the period July 2021 - June 2022)			
Month	Number of declarations filed on-time ¹	Number of declarations expected to be filed ²	On-time filing rate ³ (In percent)
July 2021	51 813	68 296	75.9
August 2021	52 286	68 285	76.6
September 2021	52 434	68 623	76.4
October 2021	52 675	64 565	81.6
November 2021	52 950	64 591	82.0
December 2021	54 151	64 610	83.8
January 2022	52 355	67 788	77.2
February 2022	53 163	68 355	77.8
March 2022	53 114	68 959	77.0
April 2022	53 239	69 196	76.9
May 2022	53 704	69 519	77.3
June 2022	53 797	69 629	77.3
12-month total	635 681	812 416	78.2

Explanatory notes:

¹ 'On-time' filing means declarations filed by the statutory due date for filing (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).

² 'Expected declarations' means the number of PAYE withholding declarations that the tax administration expected to receive from registered employers with PAYE withholding obligations that were required by law to file declarations.

³ The 'on-time filing rate' is the number of PAYE withholding declarations filed by employers by the statutory due date as a percentage of the total number of PAYE withholding declarations expected from registered employers. i.e. expressed as a ratio:

$$\frac{\text{Number of PAYE withholding declarations filed by the due date}}{\text{Number of PAYE withholding declarations expected from registered employers}} \times 100$$

Note from the STS on how the table was filled in:

Column **Number of declarations filed on time** includes the number of IPC21, TAXI18 and IU17 declarations filed by the statutory due date.

Column **Number of declarations expected to be filed** includes the number of active employers from Table 2 (plus registered taxpayers minus deregistered taxpayers in that month) at the end of each month.

E. Electronic Services

(Ref: POAs 4 and 5)

Table 11. Use of Electronic Services 2019-21 ¹				
	2019	2020	2021	6 months 2022
Electronic filing²				
(In percent of all declarations filed for each tax type)				
CIT (VEN12. IVAO15. NER17. ONG17. SIMM20)	63.3	65.9	70.4	75.7
PIT (AI17. DAJ17. DASS19. UNIF18)	14.1	17.3	21.2	26.4
PAYE (Withholding) (IPC18 and IU17)	80.0	87.7	89.0	88.6
VAT	99.9	99.9	99.95	99.95
Domestic excise tax (for all registered taxpayers)	99.0	99.0	99.2	99.0
Large taxpayers (all core taxes)	100.0	100.0	100.0	100.0
Electronic payments³				
(In percent of total number of payments received for each tax type)				
CIT (VEN12. IVAO15. NER17. ONG17. SIMM20)	100.0	100.0	100.0	100.0
PIT (AI17. DAJ17. DASS19. UNIF18)	100.0	100.0	100.0	100.0
PAYE (Withholding) (IPC18 and IU17)	100.0	100.0	100.0	100.0
VAT	100.0	100.0	100.0	100.0
Domestic excise tax (for all registered taxpayers)	100.0	100.0	100.0	100.0
Large taxpayers (all core taxes)	100.0	100.0	100.0	100.0
Electronic payments				
(In percent of total value of payments received for each tax type)				
CIT (VEN12. IVAO15. NER17. ONG17. SIMM20)	100.0	100.0	100.0	100.0
PIT (AI17. DAJ17. DASS19. UNIF18)	100.0	100.0	100.0	100.0
PAYE (Withholding) (IPC18 and IU17)	100.0	100.0	100.0	100.0
VAT	100.0	100.0	100.0	100.0
Domestic excise tax (for all registered taxpayers)	100.0	100.0	100.0	100.0
Large taxpayers (all core taxes)	100.0	100.0	100.0	100.0
Explanatory notes:				
¹ Data in this table will provide an indicator of the extent to which the tax administration is using modern technology to transform operations, namely in areas of filing and payment.				
² For purposes of this table, electronic filing involves facilities that enable taxpayers to complete tax declarations online and file those declarations via the Internet.				
³ An electronic payment is a payment made from one bank account to another via electronic means without the direct intervention of bank staff instead of using cash or check, in person or by mail. Methods of electronic payment include credit cards, debit cards, and electronic funds transfer (where money is electronically transferred via the Internet from a taxpayer's bank account to the Treasury account). Electronic payments may be made, for example, by mobile telephone where technology is used to turn mobile phones into an Internet terminal from which payments can be made.				

F. Payments

(Ref: POA 5)

Table 12. VAT Payments Made						
	VAT payments made on-time ¹		VAT payments due ²		On-time payment rate ³ (In percent)	
	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers	All VAT payers	Large VAT payers
During 2021						
Number of payments	18 006	506	18 626	512	96.7	98.8
Value of payments	8 887 926.6	4 402 435.8	9 055 665.6	4 456 515.0	98.1	98.8
During 6 months 2022						
Number of payments	17 070	474	18 429	486	92.6	97.5
Value of payments	4 502 649.1	2 054 285.0	4 833 386.6	2 082 539.9	93.2	98.6
<p>Explanatory notes:</p> <p>¹ 'On-time' payment means paid on or before the statutory due date for payment (plus any 'days of grace' applied by the tax administration as a matter of administrative policy).</p> <p>² 'Payments due' include all payments due, whether self-assessed or administratively assessed (including as a result of an audit).</p> <p>³ The 'on-time payment rate' is the number (or value) of VAT payments made by the statutory due date in percent of the total number (or value) of VAT payments due, i.e., expressed as ratios:</p> <ul style="list-style-type: none"> The on-time payment rate by number is: $\frac{\text{Number of VAT payments made by the due date}}{\text{Total number of VAT payments due}} \times 100$ The on-time payment rate by value is: $\frac{\text{Value of VAT payments made by the due date}}{\text{Total value of VAT payments due}} \times 100$ <p><u>Note from the STS on how the table was filled in:</u></p> <p>Column VAT payments made on time shows the amount of VAT, administered by STS, collected in the year 2021/ 6 months 2022 as well as the number of one-time payers.</p> <p>Column VAT payments due includes the amount of VAT, administered by STS, calculated in the year 2021/ 6 months 2022, including via RCF (Tax Audit Results Form), as well as the number of taxpayers.</p>						

G. Domestic Tax Arrears

(Ref: POA 5)

Table 13. Value of Tax Arrears 2019 - 21			
	2019	2020	2021
	In millions MDL		
Total core tax revenue collections (from Table 1) (A)	48 132.5	48 583.8	58 879.1
Total core tax arrears at end of fiscal year ² (B)	1 060.5	1 394.2	1 858.5
Of which: Collectible ³ (C)	1 060.5	1 394.2	1 858.5
Of which: More than 12 months' old (D)	457.3	576.0	598.3
	In percent		
Ratio of (B) to (A) ⁴	2.2	2.9	3.2
Ratio of (C) to (A) ⁵	2.2	2.9	3.2
Ratio of (D) to (B) ⁶	43.1	41.3	32.2

Explanatory notes:

¹ Data in this table will be used in assessing the value of core tax arrears relative to annual collections and examining the extent to which unpaid tax liabilities are significantly overdue (i.e., older than 12 months).

² 'Total core tax arrears' include tax, penalties, and accumulated interest.

³ 'Collectible' core tax arrears is defined as the total amount of domestic tax, including interest and penalties, that is overdue for payment and which is not subject to collection impediments. Collectible core tax arrears therefore generally exclude: (a) amounts formally disputed by the taxpayer and for which collection action has been suspended pending the outcome, (b) amounts that are not legally recoverable (e.g., debt foregone through bankruptcy), and (c) arrears otherwise uncollectible (e.g., the debtor has no funds or other assets).

⁴ i.e. $\frac{\text{Value of total core tax arrears at end of fiscal year (B)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

⁵ i.e. $\frac{\text{Value of collectible core tax arrears at end of fiscal year (C)}}{\text{Total core tax collected for fiscal year (A)}} \times 100$

⁶ i.e. $\frac{\text{Value of core tax arrears >12 months' old at end of year (D)}}{\text{Value of total core tax arrears at end of fiscal year (B)}} \times 100$

Note from the STS on how the table was filled in:

Following the meetings with TADAT experts, only data related to income tax, value added tax, social insurance contributions and health insurance contributions from Table no.1 were included in the table.

Row **Total tax revenue collections** (from Table 1) includes amounts collected annually as income tax, value added tax, social insurance contributions and health insurance contributions, according to Table no.1.

Row **Total tax arrears at end of fiscal year** shows total arrears (base payments and interests for late payment) according to CC12CE reports on income tax, value added tax, social insurance contributions and health insurance contributions as of 31.12.XX, **without the amounts of tax liabilities from special records (base payments and interests for late payments).**

Row **Collectible** shows the total amount of arrears (base payments and interests for late payment) according to CC12CE reports on income tax, value added tax, social insurance contributions and health insurance contributions as of 31.12.XX.

Row More than 12 months old shows historical arrears (base payments and interests for late payment) according to CC12CE reports on income tax, value added tax, social insurance contributions and health insurance contributions as of 31.12.XX. without the amounts of tax liabilities from special records (base payments and interests for late payments).

H. Tax Dispute Resolution

(Ref: POA 7)

Table 14. Finalization of Administrative Reviews
July 2021 – June 2022

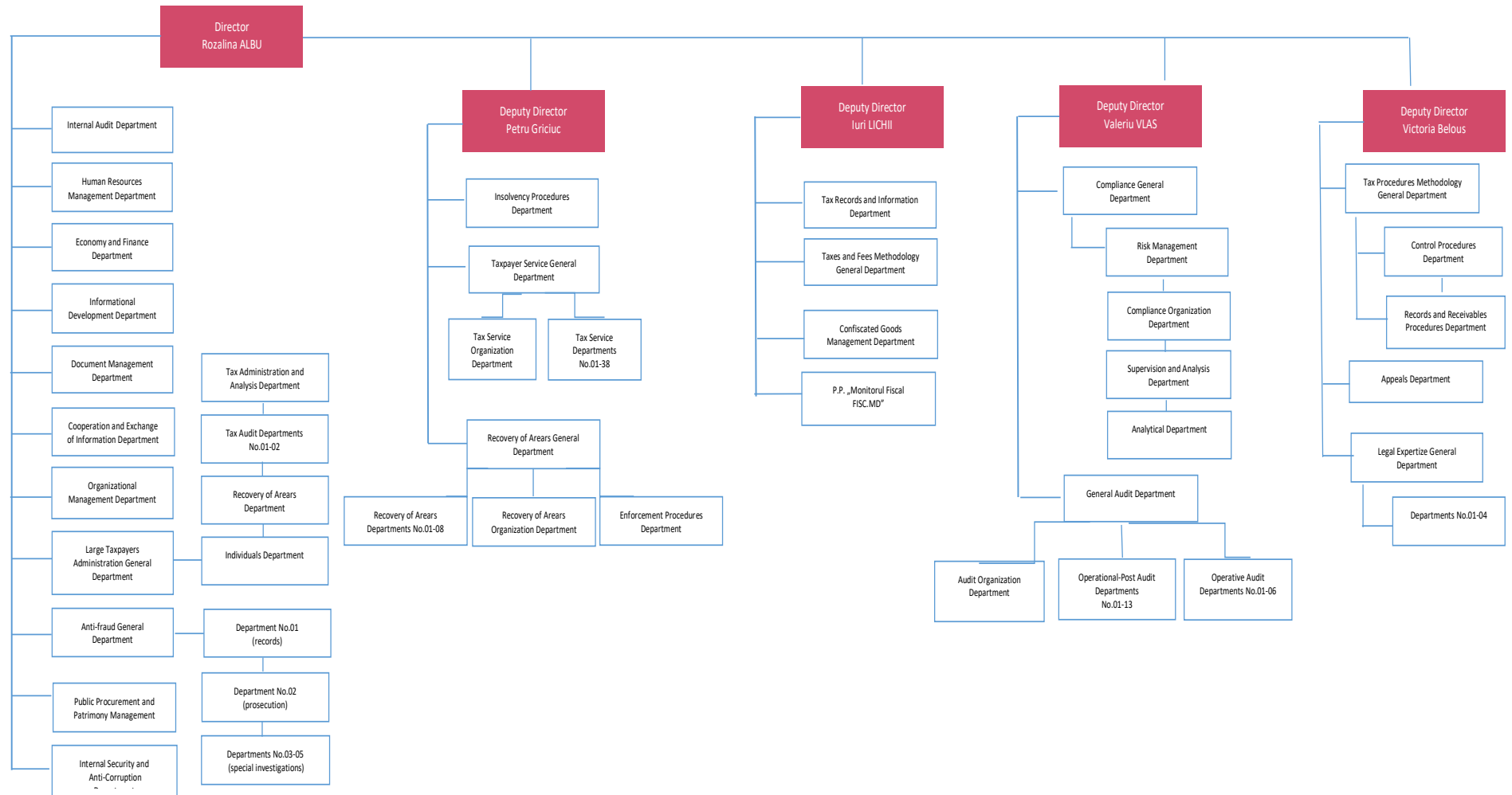
Month	Number of administrative review cases					Finalized within 30 days		Finalized within 60 days		Finalized within 90 days	
	Stock at beginning of month [A]	Received during the month [B]	Stock during the month [C] = [A + B]	Finalized during the month [D]	Stock at end of month [E] = [C - D]	Number [F]	In percent of total [G] = [F / C]	Number [H]	In percent of total [I] = [H / C]	Number [J]	In percent of total [K] = [I] / C]
July 2021	34	27	61	38	23	29	47.5	9	14.8	0	0
August 2021	23	28	51	25	26	21	41.2	4	7.8	0	0
September 2021	26	28	54	39	15	30	55.6	9	16.7	0	0
October 2021	15	35	50	23	27	19	38.0	4	8.0	0	0
November 2021	27	40	67	38	29	33	49.3	5	7.5	0	0
December 2021	29	30	59	37	22	33	55.9	4	6.8	0	0
January 2022	22	22	44	24	20	20	45.5	4	9.1	0	0
February 2022	20	24	44	15	29	11	25.0	4	9.1	0	0
March 2022	29	17	46	23	23	19	41.0	3	6.5	1	2.1
April 2022	23	18	41	14	27	11	26.0	3	7.3	0	0
May 2022	27	20	47	15	32	12	25.0	3	6.4	0	0
June 2022	32	13	45	23	22	16	35.0	7	8.8	0	0
12 months total						254		59		1	

I. Payment of VAT Refunds

(Ref: POA 8)

Table 15. VAT Refunds (for the period July 1, 2021 – June 30, 2022)		
	Number of cases	Value in local currency. million MDL
Total VAT refund claims received (A)	3 039	4 564.31
Total VAT refunds paid ¹	2 714	3 849.18
Of which: paid within 30 days (B) ²	2 031	2 388.64
Of which: paid outside 30 days	683	1 460.54
Total VAT refund claims declined ³	125	457.68
Of which: declined within 30 days (C)	118	454.73
Of which: declined outside 30 days	7	2.95
Total VAT refund claims not processed ⁴	200	257.46
Of which: no decision taken to decline refund	-	-
Of which: approved but not yet paid or offset	200	257.46
In percent		
Ratio of (B+C) to (A) ⁵	70.71	62.3
<p>Explanatory note:</p> <p>¹ Include all refunds paid, as well as refunds offset against other tax liabilities.</p> <p>² TADAT measures performance against a 30-day standard.</p> <p>³ Include cases where a formal decision has been taken to decline (refuse) the taxpayer's claim for refund (e.g., where the legal requirements for refund have not been met).</p> <p>⁴ Include all cases where refund processing is incomplete—i.e., where (a) the formal decision has not been taken to decline the refund claim; or (b) the refund has been approved but not paid or offset.</p> <p>⁵ i.e., $\frac{\text{VAT refunds paid within 30 days (B)} + \text{VAT refunds declined within 30 days (C)}}{\text{Total VAT refund claims received (A)}} \times 100$</p> <p>Note: The difference between the claimed amount and approved amount (declined amount) is included in the Row "declined within 30 days".</p>		

Attachment IV. Organizational Chart



Attachment V. Sources of Evidence

Indicators	Sources of Evidence
P1-1. Accurate and reliable taxpayer information.	Dimension 1 <ul style="list-style-type: none"> • P1-1 E1 Register report as at 31.1.2022 • P1-1 E2 Register report as at 31.8.2022 • P1-1 E3 Instructions for deregistering taxpayers • P1-1 E4 Tax Register Modernization Plan
P1-2. Knowledge of the potential taxpayer base.	<ul style="list-style-type: none"> • P1-2 E1 Action plan for unregistered businesses • P1-2 E2 Report unregistered taxpayers detected
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	Dimension 1 <ul style="list-style-type: none"> • P2-3-1 E1 Audit Feedback for risk • P2-3-1 E2 Audit Feedback for risk 2 • P2-3-1 E3 Risk Register published September 2022 Dimension 2 <ul style="list-style-type: none"> • P2-3-2 E1 Methodology classifying compliance risks 11.05.2021 • P2-3-2 E2 Risk Register published September 2022 • P2-3-2 E3 Sectoral analysis dentists • P2-3-2 E4 Sectoral Analysis of Meat Producers • P2-3-2 E5 Strategic Plan 2021 – 2023 • P2-3-2 E6 Taxpayer Compliance Program 2022
P2-4. Mitigation of risks through a	<ul style="list-style-type: none"> • P2-4 E1 Business process planning tax controls • P2-4 E2 Compliance Program 2022 • P2-4 E3 Methodology for voluntary compliance activities • P2-4 E4 Norm for LTO RDF Quadrants

Indicators	Sources of Evidence
compliance improvement plan.	<ul style="list-style-type: none"> P2-4 E5 Voluntary Compliance Program 2021
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	<ul style="list-style-type: none"> P2-5 E1 CIP implementation Q1 2022 P2-5 E2 Cost benefit analysis vol compliance program 2020 P2-5 E3 Evaluation of compliance impact of operative control P2-5 E4 Minutes CRC 14 July .2020 P2-5 E5 Minutes CRC October 2021 P2-5 E6 Order establishing CRC 2017 P2-5 E7 Results Vol Compliance program Q4 2021
P2-6. Management of operational (i.e., systems and processes) risks.	<p>Dimension 1</p> <ul style="list-style-type: none"> P2-6-1 E1 Methodology for risk management in STS and 6 annexes. P2-6-1 E2 Risk Register in STS. P2-6-1 E4 Business continuity plan for gas supply. P2-6-1 E5 Business continuity plan of the activity of STS in exceptional situations. P2-6-1 E6 Plan of continuity and restoration of the activity of the ICT of the STS. P2-6-1 E7 Report on the implementation of institutional risk control activities in STS December 2020 at Risk Committee. P2-6-1 E8 Establishment of Risks Committee of the State Tax Service. P2-6-1 E8 B Regulation of the Risks Committee of the State Tax Service. P2-6-1 E9 MoM of the Risk Committee of the STS September 2022. P2-6-1 E10 Minutes of the meeting of the Risk Committee of the State Tax Service no.3/502 of 22 December 2021. P2-6-1 E 11 Results of Business Continuity exercise of Covid in December 2021. P2-6-1 E 12 Results of Business Continuity exercise in ICT December 2021. P2-6-1 E 13 Results of Business Continuity exercise in Fire December 2021. P2-6-1 E 14 Confirmation of Training in safety and health at work I II III.

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> • P2-6-1 E 15 Committee for the continuity of the activity within the State Tax. Service under the conditions of the exceptional situation on the natural gas market. • P2-6-1 E 16 Regulations for evidence and monitor of the security information incidents. • P2-6-1 E 17 Internal Order for activation of the Plan for continuity. • P 2-6-1 E 18 Instructions and organization in safety and health at work. • P2-6-1 E 19 Responsibilities in safety and health at work. • P2-6-1 E 20 Safety at work training material. <p>Dimension 2</p> <ul style="list-style-type: none"> • P2-6-2 E1 Internal Audit Report on Business Continuity on Plan Evaluation of how data integrity and continuity of STS activity are ensured in the event of exceptional situations. including information security incidents September 2022. • P2-6-2 E2 Internal Audit Report on Business Continuity on Plan Evaluation of the on public procurement process carried out in pandemic March 2021. • P2-6-2 E3 MoM of the Risk Committee of the STS September 2022. • P2-6-2 E4 Minutes of the meeting of the Risk Committee of the State Tax Service no.3/502 of 22 December 2021.
P2-7. Manageme nt of human capital risks.	<p>Dimension 1</p> <ul style="list-style-type: none"> • P2-7-1 E1 Methodology for risk management in STS. • P2-7-1 E2 Risk Register in STS. • P2-7-1 E3 Establishment of Risks Committee of the State Tax Service. • P2-7-1 E4 Leadership training. • P2-7-1 E5 Performance evaluation. • P2-7-1 E7 HR concept. • P2-7-1 E6 Reports on HR. <p>Dimension 2</p> <ul style="list-style-type: none"> • P2-7-2 E1 Matrix matching Box 4 Key Human Capital Risk Elements with HR Risk in STS. • P2-7-2 E2 Passports for 12 Human Resources Risks: <ul style="list-style-type: none"> ○ Passport of human capital risk on uncontrolled staff turnover ○ Passport of human capital risk on work safety

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> ○ Passport of human capital risk on omissions in the professional development process ○ Passport of human capital risk on termination of labor relations ○ Passport of human capital risk on erroneous use of resources for professional development ○ Passport of human capital risk on insufficient motivation of staff ○ Passport of human capital risk on compromised staff recruitment process ○ Passport of human capital risk on fluctuation of qualified staff ○ Passport of human capital risk on regarding the subjectivity of performance assessment ○ Passport of human capital risk on failure to fulfill job duties while working from home ○ Passport of human capital risk on Failure to ensure the integrity of the civil servant's personal file ○ Passport of human capital risk on failure to ensure uniform application of internal rules related to gender equality to all employees ● P2-7-2 E3 Minutes of the meeting of the Risk Committee of the State Tax Service no.3/502 of 22 December 2021. ● P2-7-2 E4 Chapter 9 of Annual Activity Report with specific headings on human resources risk <p>https://sfs.md/uploads/files/Rapoarte%20anuale/raport%20de%20activitate%202021.pdf</p>
P3-8. Scope, currency, and accessibility of information.	<p>Dimension 1</p> <ul style="list-style-type: none"> ● P3-8-1 E1 Guide for new taxpayers ● P3-8-1 E2 Links & Screenshots ● P3-8-1 E3 Meeting with disability group AOPD <p>Dimension 2</p> <ul style="list-style-type: none"> ● P3-8-2 E1 Business process updating website ● P3-8-2 E2 Charter of unit for updating website ● P3-8-2 E3 Links & screenshots ● P3-8-2 E4 Updating Gen Basis Tax Practice <p>Dimension 3</p> <ul style="list-style-type: none"> ● P3-8-3 Links & screenshots
P3-9. Time taken to respond to information	<ul style="list-style-type: none"> ● P3-9 Taxpayers Charter

Indicators	Sources of Evidence
requests.	
P3-10. Scope of initiatives to reduce taxpayer compliance costs.	<ul style="list-style-type: none"> • P3-10 E1 Example of revision of forms • P3-10 E2 Example of UNIF18 pre-filled • P3-10 E3 Example prefilled CET18 form • P3-10 E4 Form UNIF21 • P3-10 E5 Links & Screenshots • P3-10 E6 Simplified Form A17 small taxpayers • P3-10 E7 Simplified Form DASS19 medics • P3-10 E8 Simplified Form IU17 IT Park residents • P3-10 E9 Simplified Form SIMM20 for SME • P3-10 E10 Standard tax declaration VEN12 • P3-10 E11 STS Action Plan 2022 • P3-10 E12 Combined WHT form IPC21 tax soc sec and health
P3-11. Obtaining taxpayer feedback on products and services.	<p>Dimension 1</p> <ul style="list-style-type: none"> • P3-11-1 E1 Links & Screenshots • P3-11-1 E2 Report of taxpayer satisfaction survey IT services • P3-11-1 E3 Survey Magenta consulting • P3-11-1 E4 TAMP minutes re repeat taxpayer survey <p>Dimension 2</p> <ul style="list-style-type: none"> • P3-11-2 E1 Actioning feedback Contabili News • P3-11-2 E2 Actioning feedback Contabili News 2 • P3-11-2 E3 Actioning feedback Contabili News 3 • P3-11-2 E4 Actioning feedback Contabili News 4 • P3-11-2 E5 Actioning Feedback Debt recovery survey • P3-11-2 E6 Links & Screenshots • P3-11-2 E7 Minutes meeting Contabili News July. 2022 • P3-11-2 E8 Minutes of meeting where survey discussed and actioned
P4-12. On-time filing rate.	<ul style="list-style-type: none"> • Numerical data from Table in Attachment III

Indicators	Sources of Evidence
P4-13 Management of non-filers.	<ul style="list-style-type: none"> P4-13 Report on non-filers compliance actions
P4-14. Use of electronic filing facilities.	<ul style="list-style-type: none"> P4-14 Taxpayers electronic filing requirements
P5-15. Use of electronic payment methods.	<ul style="list-style-type: none"> Numerical data from Table in Attachment III
P5-16. Use of efficient collection systems.	<ul style="list-style-type: none"> Numerical data from Table in Attachment III
P5-17. Timeliness of payments.	<ul style="list-style-type: none"> Numerical data from Table in Attachment III
P5-18. Stock and flow of tax arrears.	<ul style="list-style-type: none"> Numerical data from Table in Attachment III
P6-19. Scope of verification actions taken to detect and	<p>Dimension 1</p> <ul style="list-style-type: none"> P6-19-1 E1 Audit plan (published list) 2022 P6-19-1 E2 Report on Voluntary Compliance Program 2021 P6-19-1 E3 Tax Control plan strategy 2022 <p>Dimension 2</p> <ul style="list-style-type: none"> P6-19-2 E1 Audit guidelines construction sector P6-19-2 E2 Audit Manual Agriculture and Food

Indicators	Sources of Evidence
deter inaccurate reporting.	<ul style="list-style-type: none"> • P6-19-2 E3 Audit manual liquidations reorganizations • P6-19-2 E4 Auditor training • P6-19-2 E5 Manual Agric. Const. IT. Transport 1st page • P6-19-2 E6 Order approving audit manual • P6-19-2 E7 Regulations for tax control • P6-19-2 E8 Tax Code 2022 • P6-19-2 E9 Index audit manual <p>Dimension 3</p> <ul style="list-style-type: none"> • P6-19-3 E1 Actions arising from AQR • P6-19-3 E2 AQR report Q2 2021 • P6-19-3 E3 AQR report Q3 2021 • P6-19-3 E4 Audit quality control form • P6-19-3 E5 Order modifying AQR April 22 <p>Dimension 4</p> <ul style="list-style-type: none"> • P6-19-4 E1 Evaluation of impact operative audits Q1&2 2021 • P6-19-4 E2 Report Audit Efficiency 2020 • P6-19-4 E3 Report on all audit activities 9 me Sept 2021 • P6-19-4 E4 Report on all audit activities for 2021 • P6-19-4 E5 Report on audit efficiency 2019 • P6-19-4 E6 Report on Voluntary Compliance Program 2021 • P6-19-4 E7 Tax control plan 2022
P6-20. Use of large-scale data-matching systems to detect inaccurate reporting.	<ul style="list-style-type: none"> • P6-20 POLMED17 data matching
P6-21. Initiatives	<ul style="list-style-type: none"> • P6-21 Public rulings link

Indicators	Sources of Evidence
undertaken to encourage accurate reporting.	
P6-22. Monitoring the tax gap to assess inaccuracy of reporting levels.	<ul style="list-style-type: none"> • P6-22 E1 RAGAP CD Report 2021 • P6-22 E2 VAT gap auto service using RAGAP methodology
P7-23. Existence of an independent, workable, and graduated dispute resolution process.	<ul style="list-style-type: none"> • P7-23-2 Org structure Appeals division location • P7-23-3 Standard audit finalization document
P7-24. Time taken to resolve disputes.	<ul style="list-style-type: none"> • Numerical data from Table in Attachment III
P7-25. Degree to which	<ul style="list-style-type: none"> • P7-25 Sample report deficiencies taxpayer appeal

Indicators	Sources of Evidence
dispute outcomes are acted upon.	
P8-26. Contribution to government tax revenue forecasting process.	<ul style="list-style-type: none"> • P8-26 E1 Analysis monthly revenue collection –example January - June 2022. • P8-26 E2 Monthly reports on the deviations in collections – example - August 2022. • P8-26 E3 Single Register of tax and customs incentives/benefits. • P8-26 E4 Process regulation to update the single register of tax and customs incentives benefits Order 45. • P8-26 E5 Methodology regarding the revenue forecasting Order No 135 in 2017.
P8-27. Adequacy of the tax revenue accounting system.	<ul style="list-style-type: none"> • P8-27 E1 Report on the compliance audit of public revenue management by the SFS in the years 2020 - 2021 Decision of the Court of Accounts of the Republic of Moldova No.43 of 02.08.2022. https://www.ccrm.md/ro/decision_details/1193/hotararea-nr43-din-02-august-2022-cu-privire-la-raportul) • P8-27 E2 Report on the compliance audit of public revenue management by the SFS in 2019 Decision of the Court of Accounts of the Republic of Moldova no.43 of 23.08.2020. https://www.ccrm.md/ro/decision_details/1050/hotararea-nr43-din-26-august-2020-cu-privire-la-raportul) • P8-27 E3 List of internal audit missions for 2018 2022 <ul style="list-style-type: none"> ○ Year 2021 Internal audit assurance engagement entitled: Evaluation of the system of keeping special records of tax liabilities with a view to making appropriate decisions. ○ Year 2020 Internal audit advisory mission entitled: Business evaluation of the process Taxpayer's Current Account Entry in the AIS. ○ Year 2020 Internal audit assurance mission entitled: Assessment of the veracity of the record of tax obligations • P8-27 E4 Order SFS Number 671 of 31 December 2020 on the industrial exploitation of "Treasury Information Management System". • P8-27 E5 Order SFS Number 629 of 31 December 2019 on the experimental implementation of "Treasury Information Management System".

Indicators	Sources of Evidence
P8-28. Adequacy of tax refund processing.	<ul style="list-style-type: none"> • P8-28 E1 Government Decision No. 93 for the approval of the regulation on the refund of value added tax. https://www.legis.md/cautare/getResults?doc_id=130945&lang=ro# • P8-28 E2 Annotation on the determination of the VAT refund method. • P8-28 E3 Decision to initiate control of the VAT refund. • P8-28 E4 Note regarding the reasons for the unplanned VAT refund audit. • P8-28 E5 Numerical data from Table 15 in Attachment III
P9-29. Internal assurance mechanisms	<p>Dimension 1</p> <ul style="list-style-type: none"> • P9-29-1 E1 SFS Order No 0015 of 10 01 2022 Internal Audit Committee. • P9-29-1 E2 Art. 19 para. (4) of the Law on Public Internal Financial Control no. 229 of 23.09.2010 https://www.legis.md/cautare/getResults?doc_id=110514&lang=ro • P9-29-1 E3 Order of the Ministry of Finance No. 141/2021 • P9-29-1 E4 Strategic Plan Internal Audit 2022-2024. • P9-29-1 E5 Annual IA plan 2022. • P9-29-1 E6 Risk assessment matrix for mission planning 2022. • P9-29-1 E7 List of IT audit missions carried out in the period 2018 -2022. • P9-29-1 E8 2 Internal audit reports related to IT missions. • P9-29-1 E9 Confirmation of holding certificates - Register of certified internal auditors (Order MF 132/2020. line 12. 64. 67) https://www.legis.md/cautare/getResults?doc_id=123655&lang=ro • P9-29-1 E10 Government Decision No 556/2019. Regulation on the acquisition. confirmation and development of professional qualification in the field of internal audit in the public sector for the certification of internal auditors in the public sector. https://www.legis.md/cautare/getResults?doc_id=119034&lang=ro • P9-29-1 E11 GD 617/2019 Regulation on the evaluation of the quality of internal audit activity in the public sector. https://www.legis.md/cautare/getResults?doc_id=119615&lang=ro • P9-29-1 E12 Report on Evaluation of IA by external evaluator https://sfs.md/uploads/files/Rapoarteanualeolga/versiunea%20PDF.pdf) • P9-29-1 E13 Report on actions undertaken by the SAI of the SFS in order to implement the recommendations of the external assessment team of the quality of the internal audit activity carried out 2020. • P9-29-1 E 14 List of internal audit missions for 2018 2022.

Indicators	Sources of Evidence
	<p>Dimension 2</p> <ul style="list-style-type: none"> • P9-29-2 E1 Code of ethics and conduct of the tax officials in STS. • P9-29-2 E2 List of Code of Ethics and Conduct-Knowledge Assessment Test notes. • P9-29-2 E3 Order 326/2018 describing the process of conducting service investigations + Business related process. • P9-29-2 E4 Order 287/2020 on streamlining the work. compliance with the provisions of the Law on the Code of Conduct of Civil Servants No. 25/2008, the Law on Integrity No. 82/2017 and Government Decision No. 116/2020 in the State Tax Service. • P9-29-2 E5 SFS Guideline No. 40/2021 on undertaking measures to raise awareness and cultivate integrity within the SFS. • P9-29-2 E6 Order 577/2021 on the approval of the Regulation on the manner of declaration and resolution of conflict of interest and the Register of declarations of conflict of interest in the SFS. • P9-29-2 E7 Statistical data on integrity published. • P9-29-2 E8 Business process S14.03.009 Carrying out internal inquiries and investigations. • P9-29-2 E9 Report on the implementation of sensitive functions policy 2020.
P9-30. External oversight of the tax administration.	<p>Dimension 1</p> <ul style="list-style-type: none"> • P9-30 E1 Link to reports by the Court of Auditors' audit and answers on the STS website https://sfs.md/ro/pagina/rapoarte-anuale <p>Dimension 2</p> <ul style="list-style-type: none"> • P9-30 E2 The State Tax Service's Sectoral Anti-Corruption and Integrity Action Plan for 2021 - 2022 and implementation reports. https://sfs.md/ro/pagina/integritatea-institutionala • P9-30. E3 Ombudsman of Moldova. http://ombudsman.md/
P9-31. Public perception of integrity.	<ul style="list-style-type: none"> • P9-31 E1 Report "Level of satisfaction of legal entities with FSS services and activities" <ul style="list-style-type: none"> ▪ https://sfs.md/uploads/files/Docs/cooperare-internationala/proiectul-tamp/Comunicate_de_presa02-05-2019.pdf • P9-31 E2 Report "Level of satisfaction of individuals with FSS services and activities" <ul style="list-style-type: none"> ▪ https://sfs.md/uploads/files/Docs/cooperare-internationala/proiectul-tamp/Comunicate_de_presa_fizice02-05-2019.pdf • P9-31 E3 Action plan on increasing taxpayer satisfaction with the services provided by the State Tax Service. • P9-31 E4 Report on the results of the opinion poll on the integrity of Service employees 2021 done by STS. • P9-31 E5 3 Transparency International Reports 2019-200:

Indicators	Sources of Evidence
	<ul style="list-style-type: none"> ○ Monitoring anti-corruption policies in central public authorities" Transparency International – Moldova. ○ http://www.transparency.md/wp-content/uploads/2020/10/Raport-monitorizare-generalizat-1.pdf ○ http://www.transparency.md/wp-content/uploads/2020/06/Monitorizarea-politicilor_-DAIP_Etica-meritocratia.pdf ○ Survey of civil servants "Quality of anti-corruption policies and working climate in central public authorities". ▪ http://www.transparency.md/wp-content/uploads/2019/12/Raport-sondaj-APC-final.pdf
P9-32. Publication of activities, results and plans.	<ul style="list-style-type: none"> • P9-32 E1 Screenshots of publications on the website of annual rapports and plans. • P9-32 E2 SFS Government Data Catalog. Chapter XIII. Statistical data on SFS budget execution and Statistical data on SFS budget planning. https://sfs.md/ro/catalogul-datelor-deschise/xiii-alte-date-cu-referire-la-activitatea-sfs • P9-32 E3 Strategic Development Programmed (publication date 12.07.2021 is indicated on the website)https://sfs.md/uploads/files/strategia%20de%20deservire/Programul%20de%20dezvoltare%20strategic%C4%83%20a%20SFS%20pentru%20anii%202021%20-%202023%20aprobat%20prin%20Decizia%20CE%20nr-11%20din%2030-06-2021.pdf • P9-32 E4 State Tax Service Action Plan for 2022 (publication date 25.05.2022 is indicated on the website) https://sfs.md/uploads/files/Docs/planuri-programe/strategie-dezvoltare/Planul%20de%20ac%C8%9Biuni%20SFS%20pentru%20anul%202022%20publicare.pdf • P9-32 E5 Activity plan of the State Tax Service for 2021 (the date of publication 26.02.2021 is indicated on the website) https://sfs.md/uploads/files/rapoarte/Plan%20de%20activitate%20al%20Serviciului%20Fiscal%20de%20Stat%20pentru%20anul%202021.pdf • P9-32 E6 Priorities of the State Tax Service for 2020 (date of publication 06.02.2020 is indicated on the website) https://sfs.md/uploads/files/Docs/planuri-programe/strategie-dezvoltare/proprietati_activitate_SFS2020.pdf

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